2017 Annual Report

Annual Report 2017

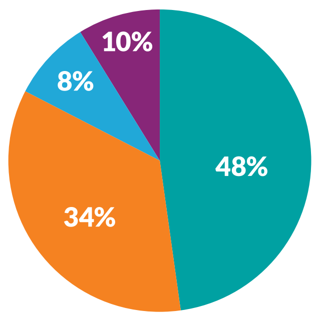
AT A GLANCE

Financial Highlights

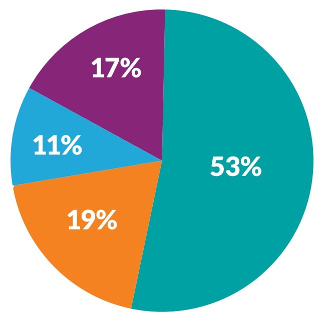
Amounts in billion Pesos except per share data

	2017	2016	%GROWTH
Income Statement			
Net Sales	125.01	112.61	11%
Gross Profit	39.31	36.21	9%
Operating Income	14.95	15.76	-5%
Core Earnings Before Taxes	13.66	14.94	-10%
Balance Sheet			
Total Assets	147.64	142.67	3%
Total Liabilities	65.95	63.82	3%
Stockholders' Equity	81.69	78.85	4%
Per Share			
Earnings	4.94	5.88	-16%
Book Value	36.93	35.77	3%

CY2017 SALES SPLIT



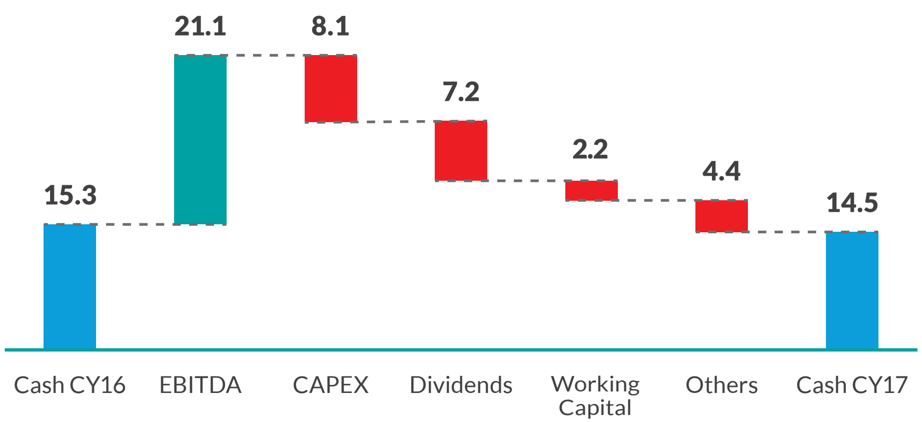
CY2017 EBIT SPLIT*



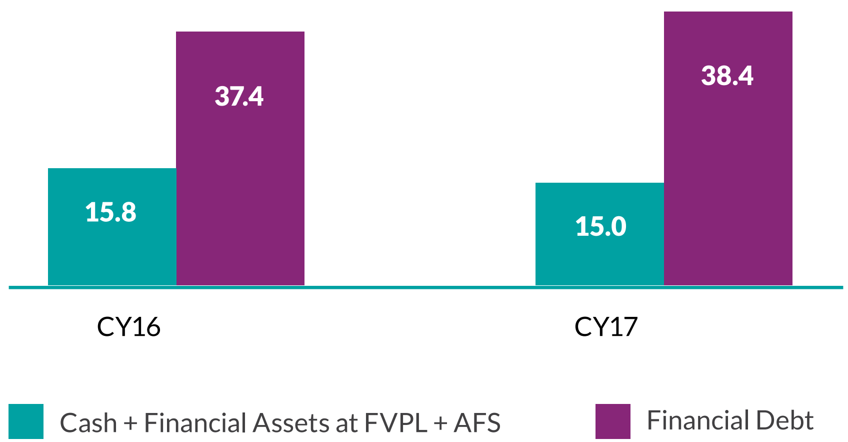
BCF Philippines
BCF International
Agro-Industrial
Commodity Foods

* EBIT Split excludes corporate expense

CASH POSITION



CASH AND FINANCIAL DEBT



2017 Key Milestones

February
URC BCFG launched Great Taste Double White, a more indulgent white coffee iteration

May
Hunt-Universal Robina Corporation sells Hunt's license for the Philippines to Century Pacific Food, Inc. to shift focus on core categories such as snack foods and beverages

Vitasoy-Universal Robina Corporation launched Vitasoy, a plant-based soy milk

August
Launch of El Real Yakap Sarap - El Real pasta and El Real Sauce

November
URC joined The Philippine Alliance for Recycling and Materials Sustainability (PARMS)

March
Launch of Jack 'n Jill Calbee Honey Butter Potato Chips

June
TopBreed was awarded as "Brand of the Year" by the World Branding Awards, an international award presented to some of the best global and national brands for their works and achievements in branding

October
URC-SURE Tolong, URC Distillery, and Kabankalan Biomass Fired Powerplant received ISO 9001:2015 Certification for Quality Management Systems

Launch of Supremo Smaxx Infinity

Launch of Great Taste Muscovado

December
2017 Corporate Safety and Health Excellence Award was given to URC's Fuel Ethanol Plant by the Safety and Health Association of the Philippines Energy Sector, Inc. in coordination with the Department of Energy.

Message of the Chairman & CEO

James L. Go
CHAIRMAN

Lance Y. Gokongwei
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

GLOBAL GROWTH REBOUNDED from a tepid growth last year due to the expansion of corporate profits across countries. Both supply and demand for goods and services have accelerated broadly across regions. In the US, consumers passed the US Federal Reserve's triennial financial checkup and top-heavy growth in wealth has been mirrored in consumption gains tilted toward richer households. In Europe, commodity prices have been stabilizing spurring growth in countries like Russia, a commodity producing nation. Asia has posted consistent growth in 2017 with key drivers like manufacturing and trading still at high levels. Overall inflation has been manageable with favorable forex and this has resulted to sustained strong consumption.

In the ASEAN region, infrastructure spending in some countries have created investment opportunities within the private sector while GDP growth has been consistent. Majority of countries in the ASEAN have been delivering impressive growth. Thailand's economy has started to recover driven by tourism and higher prices of its commodity exports while Vietnam continues to grow with low inflation driven by a strong manufacturing and service sector. Indonesia on the other hand has been the laggard in 2017 where its GDP failed to accelerate relative to other ASEAN countries given domestic demand has been restrained by weaker consumption. Zooming into the Philippines, the country remains as one of Asia's growth leaders with solid macro-economic fundamentals. The country's strong private consumption is still propelled by the continuous inflow of remittances from overseas Filipino workers, the strong services sector and fixed capital investment. Government spending has been a substantial contributor to growth this year with the push towards infrastructure build-up and we see this increasing as a percentage of GDP which will further drive growth in the medium term.

URC's Performance over the last several years … a step back.

URC has posted strong double digit topline growth over the periods 2011 to 2015. This was primarily driven by coffee in the Philippines where we have driven the total category growth and consequently gained 30% in market share from high single digits in 2011. This was also further bolstered by the strong performance of Vietnam as well as the increase in contribution coming from our non-branded

Despite the challenges, the business still managed to maintain a healthy balance sheet.

foods business. Operating income grew faster than sales as scale enhanced our operating leverage with margins reaching record highs. The business further benefitted from lower commodity prices, favorable forex and generally lower inflation which was evident especially in the Philippines.

Today, Branded Consumer Foods Group remains to be the main driver of our profitability contributing 81% to total company's EBIT.

The last 2 calendar years has seen the business facing significant challenges coming from the changing macro-economic environment, increasing competitive pressures and internal issues driven by complexity. From years of muted inflation and the strong peso, we have seen the creeping inflation and devaluing currency denting our margins. Increased competitive pressures on coffee driven by the goal of our competitors to recover lost market shares has resulted to the commoditization of the category with the move to the value for money twin packs. This has caused the total profit pool of the category to shrink and consequently impacted the URC branded foods Philippines business given the sizeable contribution of coffee to the division. We expect this situation to continue and have prepared plans to mitigate further market share losses and arrest the decline. The product recall in Vietnam in the early part of 2016 has also dragged the revenue and profits coming from our international branded foods business. The traction towards recovery of our Vietnam business in 2017 was slower than expected. While we continue to invest in the rebuilding of the equity of C2 and Rong Do, the significant shift in consumers wanting new beverage formats like water & water plus has affected the recovery of the RTD tea and energy drinks categories.

This series of unexpected events in the last 24 months has led to a decline of P3.1B in our operating income or 420 basis points in margins in CY2017 where we posted P15.0B. Coffee and Vietnam contributed to this significant decline but this was offset by the additional profits coming from the consistent good performance of snackfoods and noodles in the Philippines, better contribution from our Agro-Industrial Group and the incremental EBIT from Snack Brands Australia and the turn-around of Griffins New Zealand.

With this downward trend in margins, our share price and ROE significantly declined as well.

2017 Financial Results: Managed to navigate a very challenging year

Our topline increased by 11% amounting to Php 125.0B driven by strong performances of Thailand, AIG and SURE and additional sales of Snack Brands Australia while profitability remained challenged as we faced a decline in volume and a change in mix particularly on our coffee business in the Philippines, the slower than expected recovery in Vietnam, and an unfavorable forex and input cost inflation.

Core earnings before tax was down by 10% at Php 13.7B. We incurred a net finance cost of Php 1.2B as we added LT debt interest expense from the loan used for SBA's acquisition and the continued servicing of the onshore debt in New Zealand. Our net forex gain also significantly declined as a result of lower PHP devaluation vs USD as well as forex depreciation of IDR and further appreciation of NZD this period. Our share of equitized losses from our joint ventures amounted to Php 281M which was higher than last year's as we consolidate our latest joint venture with Vitasoy and continue our heavy investments in A&P and distribution for Danone. This resulted to a further drop of 15% in net income amounting to Php 11.2B. EBITDA, however, remained robust at Php 21.1B despite lower margins.

Despite the challenges, the business still managed to maintain a healthy balance sheet. We are still in a net debt position of Php 23.4B due to the long-term debts in Australia and New Zealand. Our gearing ratio registered at 0.47. Our cash position* amounted to Php 15.0B. EBITDA reached Php 21.1B and net cash provided by operating activities registered at Php 14.3B. Major cash outflows for the period were CAPEX, dividends payment and working capital amounting to Php 8.1B, Php 7.2B and Php 2.2B respectively.

Branded Consumer Foods Group: Muted results driven by weakness in the Philippines and slower than expected recovery in Vietnam

Total Branded Consumer Foods sales increased by 11% amounting to Php 101.8 B vs Php 92.1B LY driven by core snacking and JVs in the Philippines, Thailand and additional contribution of SBA. On the other hand, overall profitability declined by 8% at Php 12.1B as a result of higher input costs, forex devaluation, challenges in coffee in the Philippines and the slower than expected recovery in Vietnam.

Zooming into BCF Philippines, sales were flat at Php 59.0B while operating income declined by 15% resulting to Php8.9B. The sustained growth performance of core snacking & JVs and recovery of RTD beverages were dragged down by the lower volumes and unfavorable mix in the coffee category. Margins further decreased due to rising input costs on our key materials and the continuous devaluation of the Philippine Peso.

BCF International sales increased by 30% at Php 42.9B on the back of the sustained growth of Thailand, strong domestic sales of Malaysia and incremental sales from Snack Brands Australia. Operating income grew slower at 21%, amounting to Php 3.2B but margins have started to recover as a result of better Q4 performances of Vietnam and Griffin's.

Our Thailand business continue to outpace the country's FMCG growth with our sales growing double digits driven by stronger strategic collaboration with convenience stores accounts for modern trade which is the fastest growing channel and better route to market coverage in traditional trade. Our wafers and snacks categories also reached their highest market shares to date
Malaysia's also grew its business by double digits mainly driven by strong performances of snacks, wafers and chocolates.

Indonesia's sales were slower than expected at low single digits due to aggressive competition on snacks and chocolates and the soft consumer sentiment during the first half. On a positive note, we continue to improve our gross profit margins which led to lower EBIT loss for the period as a result of price increase and weight reduction on Piattos, as well as better sales mix.

Vietnam's path to recovery

URC has been in the Vietnam market for more than 13 years and we have been successful in building our brands and expanding distribution in this market. The Vietnamese government has provided an enticing environment for foreign investments and with the strong support of the local governments of Hanoi and Binh Duong, this encouraged us to continue investing and expanding our operations through the years. Given our long term view to grow the business as well as our people, one of the major thrusts in Vietnam is to ensure that we hire and invest heavily in developing local talent to ensure that they are able to expand their skills and capabilities. Our local Vietnamese talents are now playing critical roles in driving the company's growth.

2017 has been a year of transformation for URC Vietnam. First, we have started to slowly recover our RTD Beverage business (Tea and Energy drinks) with steady month on month re-acceleration in

*including FVPL and AFS

sales and market shares gains. The recovery was mainly driven by a renewed campaign of C2 and RongDo starting in the second half. We have relaunched and repositioned C2 as lifestyle brand targeting younger Vietnamese consumers. Our snackfoods portfolio has posted strong growth which further contributed to the business driven by candies. We are happy to note that we have returned back to profitability in the last quarter of 2017 in this market.

Core to this transformation is our drive to embed "Passion for Quality", where we went through a rigorous process of review and audit in line with the global standards on food quality and safety. We now have the FSSC 22000 Food Safety System Certification for our VSIP 1 Beverage & Food Plant 1/2 & Hanoi Beverage Plant. Having this certification underscores our commitment in ensuring that our food safety management processes across the value chain comply with Vietnam's regulatory and international standards.

Coupled with this certification, we have also invested in a modern Central laboratory that aims to elevate our capabilities for product quality testing, assurance and data analysis across the supply chain. This significant investment reflects our commitment to continuously raise our safety and quality standards as we further boost "Made in Vietnam" quality products to the global marketplace.
We also transformed the organization and strengthened the management team with the hiring of a new President and General Director, URC Vietnam Ltd. and key functional hires to support the business as well as to engage with and align with the government and regulators.

Looking at the sustainability and CSR initiatives, we strengthened URC Vietnam's external relationship and increase bilateral trade between Vietnam and the Philippines. Last year we participated in events like the Vietnam Food Expo in Ho Chi Min City.

Harnessing Synergistic Opportunities in Oceania

Growth outlook for the region remains positive as we had a successful first year with significant EBIT growth. Our synergistic activities has been the center of our focus in 2017 for total Oceania. We successfully merged the management team under a single Group CEO and aligned the functional workforce of both Snack Brands Australia and Griffin's in New Zealand. This started to create better synergies that resulted to productivity across both businesses. Our immediate priority is to improve the Griffin's business in the Australian market and we successfully executed the transfer of selling and distribution for Nice and Natural wrapped bars to SBA. We have also executed some cost initiatives in New Zealand through right sizing as well as supply chain optimization programs.

Looking Ahead: While economic growth remains robust, inflationary threats will continue to affect the business

Asian economies are going to be well placed in 2018 with synchronized growth among countries. ASEAN is still seen to posts stronger GDP growth in our key markets, Philippines, Thailand, and Vietnam. Forex and interest rates will remain manageable although the Philippines will continue to experience creeping inflationary pressures and a weaker currency given the governments push towards infrastructure. The tax reform program implemented in the Philippines can boost consumption for the middle class but may also result to a slowdown in the lower socioeconomic classes. The excise taxation levied on sweetened beverages for example has been a looming threat and will significantly lower consumer demand and this poses another challenge for our Philippine BCF business.

With these short term economic headwinds, we need to be more vigilant and proactive in navigating the situation by offsetting

We successfully merged the management team under a single Group CEO and aligned the functional workforce of both Snack Brands Australia and Griffin's in New Zealand.

inflation as much as possible so we preserve margins. While our thesis remains that a strong emerging middle class will be the key to growth, we also believe that a new breed of consumer is now emerging. This consumer is more discerning and demanding for brands that are more than the usual and aligned to better eating and drinking experiences. The changing retail landscape and growing modern retail with the rise of convenience and proximity stores requires us to review our customer engagement strategy as well as our route to market capabilities.

More importantly, the cut-throat competitive landscape is now the new normal given lower barriers to entry. We now compete with aggressive multinational and regional companies with the same intentions of entrenching their brands deeper into the consumers psyche and fortifying their distribution capabilities and reach. This has been very evident on categories like coffee and RTD beverages.

Urc In The Next 5 Years – Core Strategic Pillars

With the above themes, we are still firm to drive our vision in becoming one of the largest and most profitable snackfoods and beverage companies in the ASEAN-OCEANIA region. We have reviewed our business and have charted 5 key strategic pillars with the overall aim of stabilizing the business and bringing back topline growth. The new normal requires us to adapt constantly to the changing environment and we have started that path internally through competency assessment and organizational review, systems and process audit as well as deployed a more rigorous portfolio review.

Strengthen Our Core

We will ensure the exemplary performance of our core brands, supply chain, route to market (RTM), process/system, and people by pursuing excellence in the basics. We will roll out Revenue Growth Management across our branded domestic categories to understand key market and consumer fundamentals. The aim is to have better clarity on where the opportunities are and simplify our portfolio to provide more focus on hero SKUs which provide the highest return to the business. We also need to balance our sources of growth and profitability by focusing innovation to a fewer but bigger bets coupled with a stronger execution. On the international business, we will continue to look for opportunities to further add scale in the markets where we operate.

We will create the ideal route-to-market model for URC by establishing better customer engagement with retailers and distributor management. The aim is to further widen our numeric distribution, increase rotation of hero SKUs and ensure excellent in-store execution. We also plan to roll out a better incentive program such as pay for performance for our sales force, key accounts and our distributors.

Lastly, we need to recover our beverage businesses. In the Philippines, we will protect coffee by fortifying our leadership in white coffee and building non-white segments through new product launches quarter-on quarter. We have started this with the launch of GT Muscovado last October 2017. We will also build Great Taste brand equity through stronger ATL and wider distribution. We will expand our RTD segment by launching new RTD products latching on the trend of health and wellness (enhanced hydration) and will maintain our leadership in RTD Tea by revitalizing the C2 brand. In Vietnam, our key priority is to recover C2 and Rong Do to drive topline growth in 2018 as well as build the snack foods leg of the business.

Lead with Product Innovation and Unlock New Paths to Growth

Innovation has been the catalyst of the growth of URC for the last 15 years and we need to put more focus and come up with new winning products. As we simplify the business by rationalizing our

SKU lineup, it is crucial that we embed the discipline that our new products are driven by stronger consumer insights to give them a better chance of succeeding in the crowded marketplace. Core themes to innovation will also be the growing modern convenience channels, affordable premiumization, and on-the-go lifestyle.

We will continue to refresh and renovate our core brands to remain competitive and relevant to changing consumer tastes and generational changes. We believe that the products that made us win for the last 15 years should be continuously improved especially our leading brands since competition will continuously step up to gain market shares. We will also address gaps in key category sub-segments to offer a wider assortment of brands given the repertoireristic behavior of the new consumers. We have also reviewed our marketing executions to better connect with the younger generation. Noteworthy example is on RTD Tea -- from C2's brand message of "healthy flavored tea", emphasizing that the product is brewed and bottled on the same day. We have shifted our message to "refreshing relief", highlighting cool image and clean values to make the brand appeal more emotionally to the millennials and centennials. This also expanded our market to cover not just the RTD tea category, but also the larger "refreshment" space.

Focus on Value Creation

We will pursue profitable growth through efficient cost and resource management. We will improve our manufacturing efficiencies, calibrate our spending to manage profits of total URC and also implement digital transformation which is a JGSummit-wide project. In addition, given BCFG's wide presence across the ASEAN and Oceania region, we will optimize strategic regional procurement, sourcing and distribution to manufacture and deliver our products at the lowest cost possible.

Looking at our Non-branded business groups, we will maintain the competitiveness and synergies from commodities, agro-industrial and packaging businesses. We will increase our revenue across all industrial businesses thru increase in hotels, restaurants and institutions (HRI) and concessionaire accounts for AIG, improvements in distribution level for flour, capacity expansions for Sugars and Renewables Division (SURE) and URC Flexible Packaging (UFLEX), and enhancements in customer satisfaction for Packaging.

Harness Sustainability Agenda

We have formally launched and announced our deliberate journey to embed Environment, Social and Governance (ESG) into our business with the release of our first sustainability report, another milestone for URC. We see this as a critical component to enhance the business' social license to operate and ensure continued business growth.

Through our extensive stakeholder engagement and steering committee meetings, we have identified the most material issues of the business that pose significant opportunities and risks, and therefore require group-wide participation.

For 2018, we will focus on three areas – Natural Resources, People, and Product. As we undergo this process of integrating sustainability, we will examine existing sustainability programs and discover gaps that needs to be addressed.

This will inevitably recalibrate our business to include meaningful impacts to society such as how responsibly we use our resources today in a way that maintains sufficient supplies for the future, how adequately we respond to issues like climate change, how we innovate as consumer behavior shift towards emerging health and wellness trends, and how accountable we are as a publicly listed company in terms of governance.

In Closing:

We remain cautious on our expectations for 2018 given the existing external challenges on the overall macro-environment and competitive dynamics. We are hopeful that while we navigate this tough environment in the short term, the internal adjustments we are doing will start bearing fruit in the near term. This includes a more focused and streamlined portfolio to drive profits, a more responsive supply chain to better serve our customers, and the rollout of a new route to market model to make our brands more available to consumers.

Despite the challenges we face, our culture of being entrepreneurial with a strong drive to succeed and grit to compete in the different markets remains. We will continue to bring delight to consumers through innovation and make lives better for all our other stakeholders in the years to come. This thrust is in line with our vision to become a premiere snacks and beverage company in Asia and Oceania.

Your continued support and trust will enable us to deliver value to you, our stakeholders.

Thank you very much for your trust and partnership.

We are hopeful that while we navigate this tough environment in the short term, the internal adjustments we are doing will start bearing fruit in the near term.

James L. Go
CHAIRMAN

Lance Y. Gokongwei
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Who We Are


Great Taste
White
PRESTO
CUP NOODLES
Seafood
C2
CLASSIC
GREEN TEA
BREWED & BOTTLED
ON THE SAME DAY!

Our Business Highlights

BIGGEST
sugar milling company
in the Philippines
in terms of capacity

ONE OF THE
LARGEST
Agro Industrial & Commodity Foods
in the Philippines

#1
SNACKFOODS Company
in the Philippines
and New Zealand

5
STRATEGIC Joint Ventures
with large
international snackfoods
and beverage players
across the globe

13
MARKETS
in ASEAN and Oceania
regions

STRONG BRANDS
with leading position
in key markets

4
BRANDED PRODUCT CATEGORIES

Vision

Our vision is to be the best Philippine food and beverage company with a powerful presence throughout the ASEAN and Oceania region, carrying a wide portfolio of delightful brands of exceptional quality and value, equipped with efficient systems and engaged human capital. We are committed in making lives a truly fun experience.

Central to this vision are

OUR CORE VALUES

Passion to win

We build organizational capability by being entrepreneurial and proactive, driven by a sense of urgency and purpose. We continuously challenge ourselves to deliver world-class brands and consistently rally our people to strive for excellence.

Integrity

We are guided by transparency, ethics and fairness. We build the business with honor and are committed to good governance. Our processes and products meet the highest standards. We are credible in our dealings with both internal and external stakeholders.

Dynamism

We cultivate a culture of innovation and productive working relationships. We continuously find ways to improve organizational and people capabilities to meet constantly changing consumer needs.

Courage

We seize opportunities in building long-term, sustainable businesses. We make tough people and business decisions to ensure competitive advantage.

Our Presence

THE MANUFACTURING FACILITY and several distributor of Branded Consumer Foods Group (BCFG) is spread throughout the Philippines, ASEAN and Oceania. Non-BCFG facilities such as the sugar, flour and feed mills; sugar refineries and distillery; biomass-fired power cogeneration plant; and hog and poultry farms are all located in the Philippines. The Company also has sales offices in Hong Kong and Singapore, and exclusive distributor presence in Laos and Cambodia.

We intend to expand our presence and further look for opportunities in the markets where we operate. For instance, we aim to increase penetration across markets through better route-to-market strategy. We also aim to develop the production and distribution of our BCFG products in the international market through the addition of manufacturing facilities located in geographically strategic areas, especially in the Oceania and ASEAN countries. Primary considerations for choosing these sites include production efficiency, cost-efficiency in terms of sourcing raw materials, and leverage due to increased focus and support for exports to other markets.

Our strategic intention is to have consistent, strong brands and build three product categories in the markets where we operate.

MARKET POSITION

PHILIPPINES

#1 Snacks
Candies
Chocolates
RTD Tea
Noodles
Sugar

#3 Coffee
Biscuits
Pasta

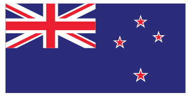
VIETNAM

#3 RTD Tea

THAILAND

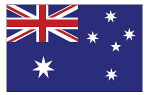
#1 Biscuits
Wafers

NEW ZEALAND

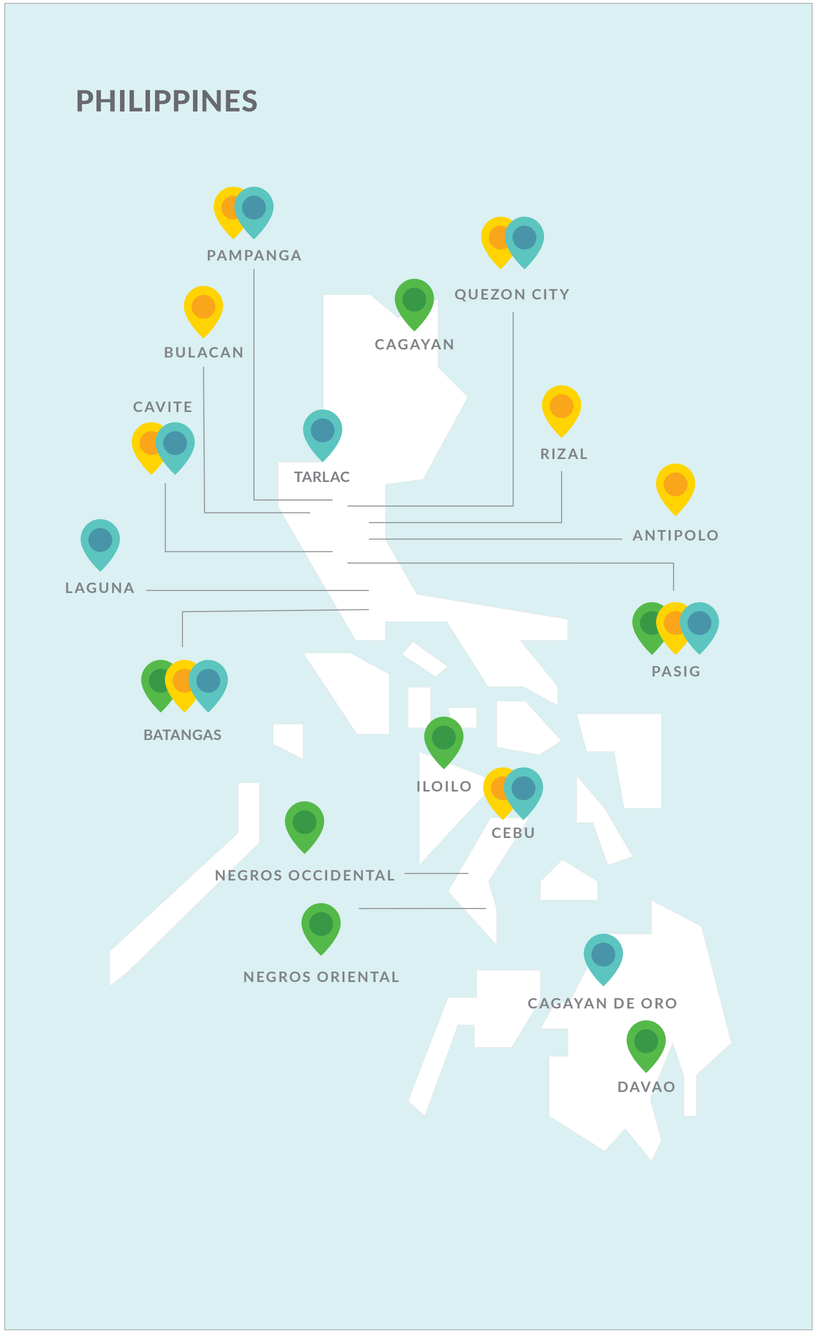


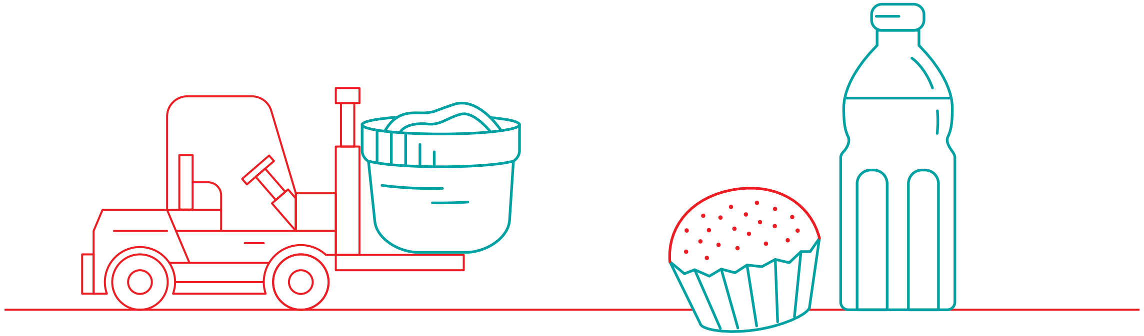
#1 Sweet Biscuits
#2 Crackers
Salty Snacks

AUSTRALIA



#2 Salty
Snacks





Branded Consumer Foods Group

- Pasig City (2)
- Libis, Quezon City
- Cabuyao, Laguna
- San Pedro, Laguna (2)
- Calamba, Laguna
- San Pablo, Laguna (2)
- Biñan, Laguna
- Luisita, Tarlac
- San Fernando, Pampanga
- Dasmariñas, Cavite (2)
- Cagayan de Oro
- Tabok City, Cebu
- San Fernando, Cebu

BOPP/FLEXIBLE PACKAGING PLANT

- Simlong, Batangas (2)

Agro-Industrial Group

FEED MILL

- Pasig City
- Mandaue City, Cebu

PIGGERY

- San Miguel, Bulacan
- Bustos, Bulacan
- Pandi, Bulacan
- Novaliches, Quezon City
- Rosario, Batangas
- Magalang, Pampanga
- Antipolo, Rizal

POULTRY FARMS

- Antipolo, Rizal
- Taytay, Rizal
- San Miguel, Bulacan
- Naic, Cavite

SLAUGHTERHOUSE

- Antipolo, Rizal (2)

Commodity Foods Group

FLOUR MILLS

- Pasig City (2)
- Davao City, Davao

DISTILLERY PLANT

- Bais, Negros Oriental

SUGAR MILLS

- Balayan, Batangas
- Manjuyod, Negros Oriental
- Santa Catalina, Negros Oriental
- Piat, Cagayan
- San Enrique, Iloilo City

SUGAR MILL & BIOMASS-FIRED POWER COGENERATION PLANT

- Kabankalan, Negros Occidental (2)

Sustainability

We continue to remain true to our pledge to harness sustainability as part of our core business strategy. This is our way of ensuring long-term value and inclusive growth, by strengthening and changing the way we operate.

THROUGH THE RELEASE of our first sustainability report, we were able to review and understand our current sustainability performance. This is one of our first steps as we embark on our journey to grow a more competitive and sustainable business. This shows our desire to do business with integrity, guided by transparency, ethics, and fairness in all our dealings.

The centerpiece of our sustainability report focuses on our **Purposeful Transformation Strategy,** a framework that is truly aligned with what is material to the business.

To know more about URC's first sustainability report, kindly visit http://www2.urc.com.ph/sustainability

Key Sustainability Focus Areas

OUR SUSTAINABILITY KEY FOCUS AREAS are Natural Resources, People (Our Employees and Our Communities), Product, Supply Chain, and Economic. These are the most material issues of the business that pose significant opportunities and/or risks and therefore require group-wide internal engagement. We have identified key priority areas that will serve as a starting point in meeting our goal.

OUR STATUS

We are now starting to conduct our baseline natural resources, products and people focus areas and we're now expanding our data scope to all our international presence including Oceania.

Our Milestones Towards a Sustainable URC

2017

GETTING STARTED >

Launch strategy
Conduct baseline

Set targets

NATURAL RESOURCES

Enchance our approach to responsible resources management.

- Energy
- Water
- Environmental Compliance
- Waste

PEOPLE

Enhace the lives of people in our workplace and in our communities.

- Our Employees
- Our Communities

PRODUCT

Provide food that is safe, of good quality, and fun for everyone.

- Process
- Product

ECONOMIC

Achieve inclusive growth.

- Fiduciary Responsibility
- Risk Management
- Transparency
- Innovation

SUPPLY CHAIN

Promote responsible supplier relationships across our business units.

- Supplier Assessment
- Supplier Training

These are the KPIs we're going to start with:

NATURAL RESOURCES

- Environmental compliance
- Complete baseline audit within two years
- Reduce energy consumption

PEOPLE

- Compliance with all health regulations and safety regulations
- Reduce/eliminate loss time injury
- Training and lifelong learning programs

PRODUCT

- Food safety processes across all products
- Compliance with all applicable product responsibility and labeling legislation

SUSTAINABLE DEVELOPMENT GOALS

2019
Announce targets

MILESTONE 1

MILESTONE 2

2021
GETTING BETTER >

MILESTONE 3

MILESTONE 4

2025
New Target 1
New Target 2
Review strategy & targets

2030
GETTING GREAT >

Did you know?

C500

C500 provides 500 mg of Vitamin C in a juice drink format.

This will cover more than the daily requirement of Filipinos for Vitamin C.

Helps protect cells and keep them healthy.

Protects and strengthens immune system.

Vitasoy

Vitasoy delivers all the nutritious health benefits of soy in a tasty, plant-based drink.

Vitasoy soy milk is free from both cholesterol and lactose sugar.

Vitasoy Plus soy milk is further enriched with calcium and Vitamin D.

C2

C2 Cool and Clean is made out of naturally brewed tea leaves.

Brewed and bottled on the same day!

These tea leaves are sourced from the highlands of Vietnam.

Contains 78% more Catechins than other bottled tea beverages.

Catechin is a type of antioxidant that helps boost the immune system.

El Real

El Real Party Pasta is made with high quality wheat flour, which is rich in nutrients.

Durum Wheat Semolina, an essential ingredient in Party Pasta, keeps the product firm and helps prevent overcooking.

50g of El Real Party Pasta provides 6g of protein.

El Real Party Pasta is a good source of iron and fiber.

Chippy

Chippy is one of URC's heritage brands since the 1960's.

Chippy is produced from 100% ground cooked corn which is fried and flavored.

Chippy corn chips are made from locally manufactured select highgrade yellow corn kernels, mainly sourced from Ilocos Sur, Philippines.

Cooking corn in alkalized water improves the bio availability of the corn's essential amino acids.

100g of Chippy provides 4g of fiber.

Nova & Potato Chips

Nova is made from a blend of whole wheat berries and ground corn, rice, and oats.

100g of potato chips provide 7% of the daily requirement of Vitamin C.

B'lue

B'lue Flavored Water is packed with Vitamin B3, B12, and B6.

Robina Farms

Robina Farms is the only certified "NO HORMONE, NO ANTIBIOTIC RESIDUE" in the Philippines today undergoing monthly certification by the National Meat Inspection Services.

Overuse of antibiotics and hormones increases the development of drug-resistant bacteria in farm animals.

Consumption of contaminated meat products may develop bacteria resistance and may create negative health repercussions for humans.

ROBINA Farms
YOUR PARTNER IN PREMIUM FARM PRODUCTS
Since 1956

Our Business Performance

Branded Consumer Foods

BRANDED CONSUMER FOODS GROUP (BCFG) is the biggest business segment in URC. BCFG aims to be the most loved snack food and beverage brand through its wide distribution network of strong brands, continuous product innovation, efficient cost and resource management, robust product innovation pipeline, consumer-centric marketing and world-class manufacturing capabilities.

Our track record for building strong brands has also made us a partner of choice. We currently have five strategic joint ventures and partnerships with leading international consumer companies, namely ConAgra of the US, Nissin Foods and Calbee of Japan, Danone of France and most recently, Vitasoy of Hong Kong.

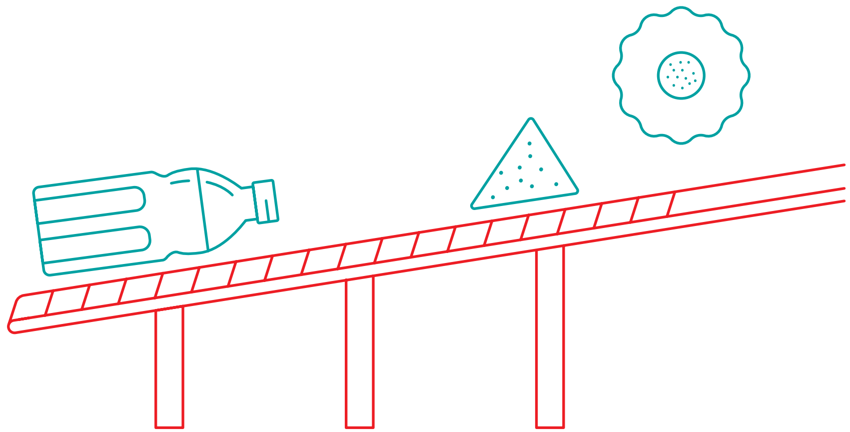
BCFG is composed of two divisions, BCFG Philippines, its domicile market, and BCFG International, a wholly-owned subsidiary covering ASEAN and Oceania markets. The group continuous to delight lives with products of exceptional quality and value.

In CY 2017,
BCFG sales grew by 11%
vs 2016

BUSINESS HIGHLIGHTS:

Branded Consumer Food Group

Our brands offer a diverse portfolio of mainstream and premium products in emerging and developed markets



Mainstream

Our three significant mainstream brands:

Great Taste
Innovated the modern coffee experience to become accessible to many; first and leader in the "creamy" sub-segment

Jack n Jill
The umbrella brand of snackfood products that are well-recognized in the ASEAN region

C2
A healthy ready-to-drink tea that comes from naturally brewed tea leaves

Affordable Premium

Thins
Thin Cut Chip

Cheezels
A dominant Cheese ring product

CCs
Corn Chip

Kettle
Potato Chip

Through the acquisition of New Zealand's Griffin's Foods and Australia's Snack Brands Australia we were able to offer premium products, such as:

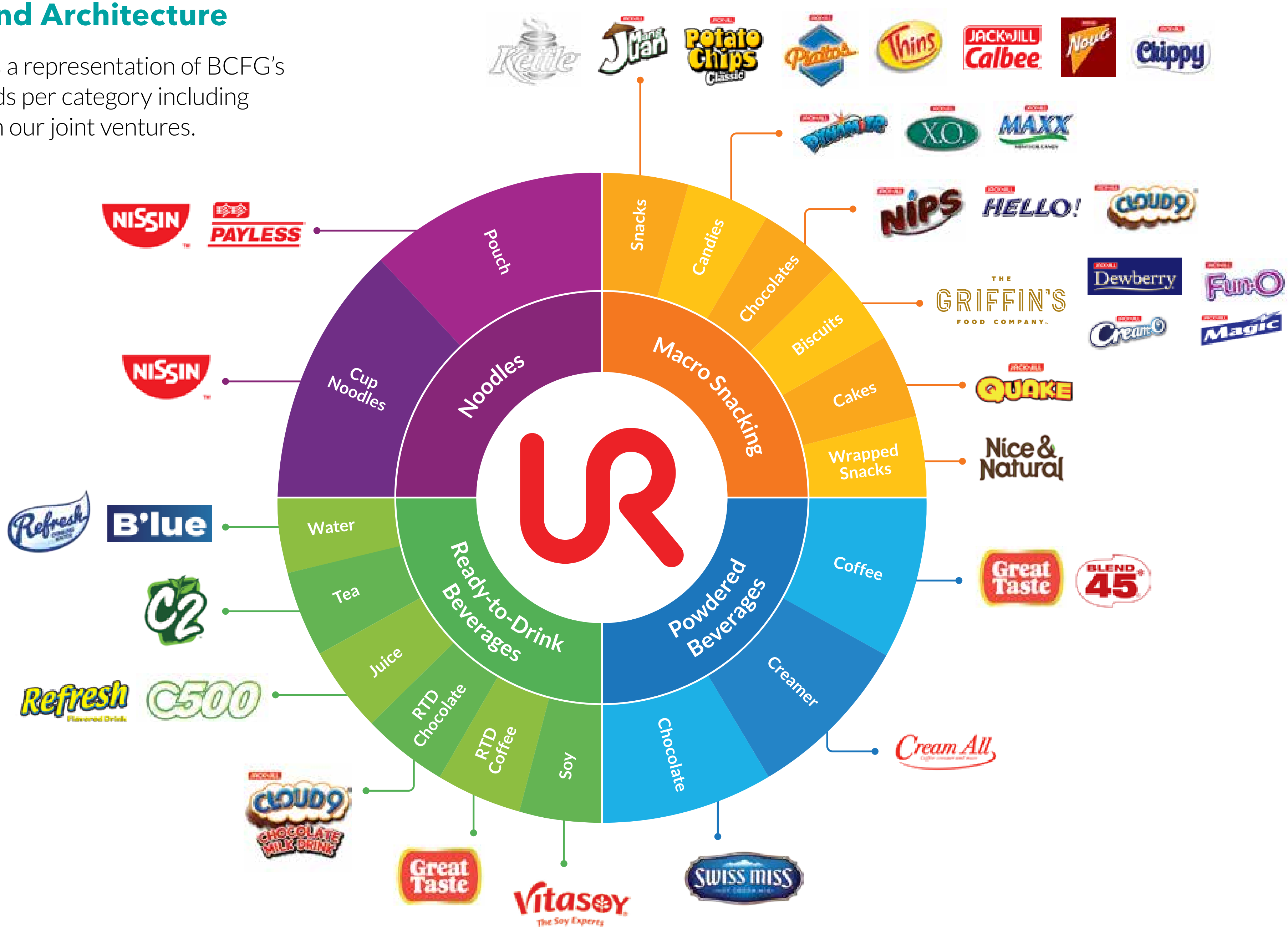
Griffin's
High quality sweet biscuits with more than 150 years of heritage

Nice & Natural
Wide range of healthy wrapped snacks

The Natural Chip, Co.
A new challenger in crinkle cut

Our Brand Architecture

This chart is a representation of BCFG's line of brands per category including brands from our joint ventures.



* Not all snack foods brands are included

Macro- Snacking

BCFG has recently consolidated total Jack'n Jill Brands under the macro-snacking segment. This strategic action will build a collective view of the brand portfolio, create a unified communication platform and sustain market dominance. Macro- snacking segment offers a wide range of snack foods that will cater the snacking occasion of consumers- composed of salty snacks, candies, chocolates, biscuits, cakes, and wrapped snacks.

BAKERY

Our biscuits and cakes pose significant market presence in the local market and we are the market leader in Thailand (for Biscuits and Wafers) and New Zealand (for Sweet Biscuits).

We offer affordable biscuits and cakes that cater to consumers of all ages. From our local well-known brands such as Presto Creams, Magic Flakes and Quake to brands for international markets, we have wafer brands like Lausanne in Thailand and Halo in Myanmar. Griffin's biscuits are made with highest quality ingredients which offers a step-up in snacking experience for highly sophisticated consumers.

Segments: ASEAN, Oceania

Wafers

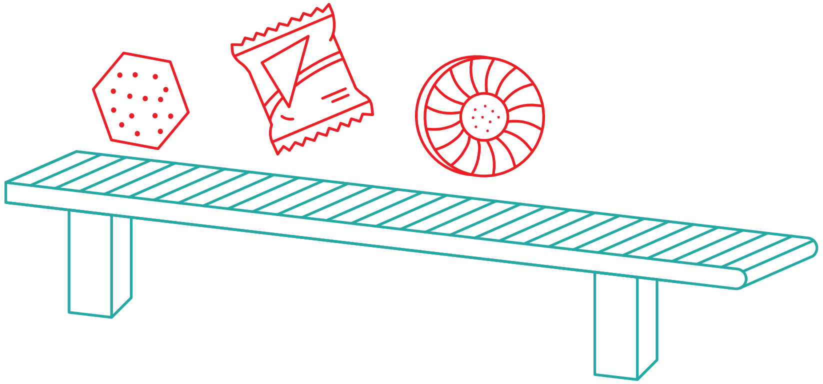
Pretzels

Cakes

Cookies

Crackers

Biscuits



CONFECTIONERY

Our chocolates and candies are market leaders in the domestic market. Under the confectionery category are candies and chocolates which comes in a variety of fun and exciting flavors. Some of the most well-known chocolate products are Nips and Cloud 9 while candies are Maxx and Dynamite.

Segments: ASEAN, Oceania

CANDIES

Hard

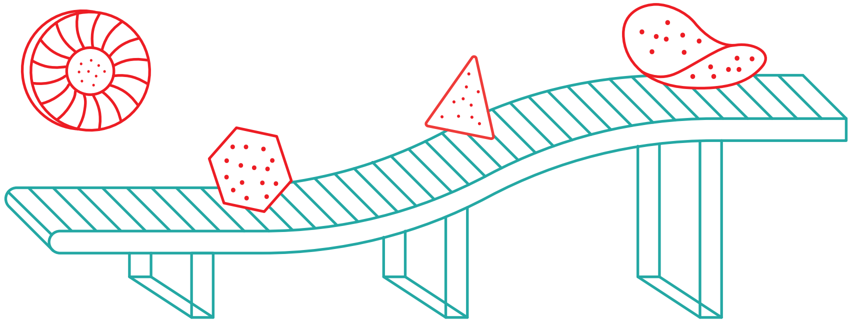
Soft

Dragee

CHOCOLATES

Enrobed

Panned



WRAPPED SNACKS

Through the acquisition of Griffin's Food, URC expanded its product category by catering to the needs of the growing health-conscious segment. Nice & Natural offers specialty bars with a variety of flavors that will excite the taste buds of consumers.

Segments: ASEAN, Oceania

Nice & Natural

Nut Bars
Muesli Bars
Protein Nut Bars
Whole Seed Bars

SALTY SNACKS

We are the market leader in salty snacks in the Philippines and the second largest player in Australia through our SBA brands. Product innovation through assessment of dynamic market trends will continue to drive the development of salty snacks.

Segments: ASEAN

Fabricated Potato

Natural Potato

Healthy and Mixed

Corn Chips

Cracklers

Segments: Oceania

Corn Chips

Potato Chips

Popcorn

Cereal

Beverage

URC's beverage segment contributed to two significant mainstream brands of the business- C2 (launched in the Philippine and Vietnam) and Great Taste White (launched in the Philippines).

The beverage segment is divided into two groups, the Powdered and Ready-to-Drink (RTD). Great Taste brand, under powdered beverages, continue to develop products outside the white coffee space.

In RTD Beverages, C2 maintains its dominance in the RTD tea market in the Philippines and continue to pose steady recovery in Vietnamt. Other categories include chocolates, coffee, juices, and water.

Segments – ASEAN

READY-TO-DRINK

Tea | Juices | Water | Coffee

POWDERED BEVERAGE

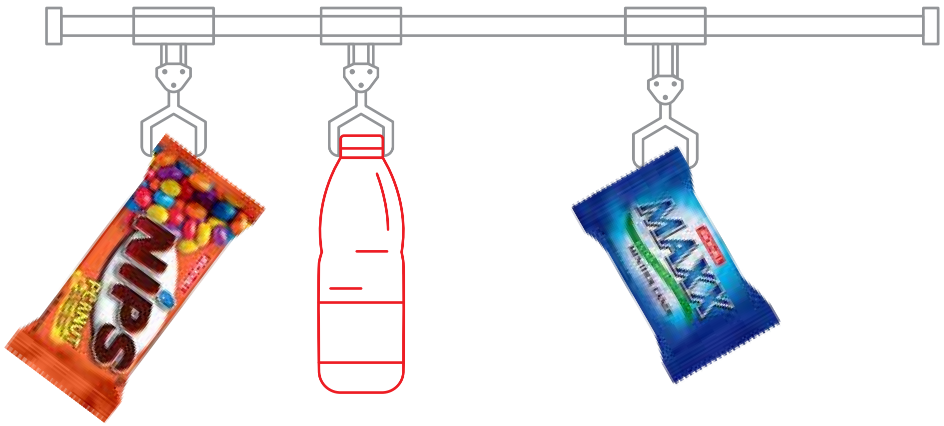
Soluble Coffee | Coffee Mixes

GREAT TASTE

During the last quarter of 2017, we launched Great Taste Muscovado under the brown coffee space. It is a rich coffee made great by the taste of Muscovado Sugar.

C2

C2 launched two limited edition summer flavors last 2017– C2 Melon and C2 Dalandan.



ISO 9001: 2015 CERTIFIED for Quality Management Systems

Packaging and Flexible Packaging

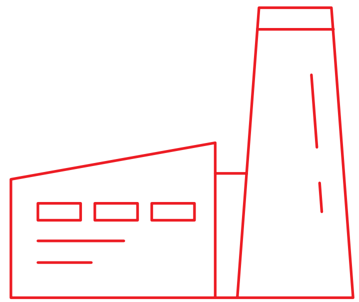
URC has two distinct business units that cater to the packaging industry, URC Packaging for Bi-axially Oriented Polypropylene (BOPP) films used in producing flexible packaging and URC Flexible Packaging (UFLEX) for food grade wrappers and bottle labels.

CFC Clubhouse Property Inc. (CCPI), a wholly-owned subsidiary of URC, manufactures flexible packaging materials that cater to various URC branded products. The Board of Directors approved in 2015 the merger of CCPI and URC, with the latter as the surviving entity, to integrate processes, attain greater efficiency and economy in the management of operations, and increase financial strength. Having been integrated with URC, CCPI is now named as URC Flexible Packaging.

BOPP and UFLEX plant in Simlong, Batangas

Both facilities transitioned to ISO 9001:2015 certified for Quality Management Systems in 2018.

BOPP manufacturing plant
passed on February 2018.



UFLEX manufacturing plant
passed on April 2018.

BUSINESS HIGHLIGHTS

BCFG - Exports Business

URC was able to reach market needs outside of the ASEAN and Oceania markets through our exports channel. We export our products to 38 countries across the globe, including US, Europe and Russia.

URC has a dedicated exports department that serves as our agent ensuring proper distribution of our products worldwide through selling to appointed distributors and select retailers. Our passion for quality and safety by adhering to global standards enables our products to compete and penetrate different kinds of markets.

Top Thailand Exports

Jack 'n Jill Lausanne
Jack 'n Jill Fun-O
Jack 'n Jill X.O.
Jack 'n Jill Magic
Jack 'n Jill Jumbo

Top Philippine Exports

Jack 'n Jill Chippy
Nissin
Jack 'n Jill Magic
Jack 'n Jill Piattos
C2

BUSINESS HIGHLIGHTS

BCFG - Joint Ventures

The strategic intention of our joint ventures is to become the seeds of growth in the next 5 to 10 years which will target new external realities that will define how we will compete in the industry.

As incomes expand, consumers begin to concentrate their trade up moneys in premium offerings especially in impulse categories like food and beverage. Innovation of our joint ventures will be driven by a more sophisticated preference in health, wellness, nutrition, play, and indulgence which will future proof our position in modern trade channels.

Indulgence
Delightful snacking experience that satisfies consumer cravings.

Play
Fun and exciting novelty treats for kids to enjoy.

Authenticity
Trusted food with a sense of heritage and origin.

Nutrition
Healthy options that will enhance the well-being of consumers.

On-the-go
Portable and convenient snacks whenever, wherever.

We are the partner of choice

Our credibility of building strong brands through the years made us the preferred partner of strong international companies today.

NISSIN-UNIVERSAL ROBINA CORPORATION

ESTABLISHED IN 1994 to offer instant and cup noodles under the famous Japanese brand, Nissin and value-for-money instant noodles under Payless

JACK'n JILL Calbee

ESTABLISHED IN 2015 to expand the premium snacks market by bringing into the Philippines an innovative range of Japanese salty snacks targeting consumers with sophisticated taste profiles

DANONE UNIVERSAL ROBINA BEVERAGES

ESTABLISHED IN 2015 to introduce a new water plus drink, B'lue designed for on-the-go millennials looking for a refreshing drinking experience

CBUR

ESTABLISHED IN 1984 to bring the Hunt's brand in the Philippines for Beans and Sauces. The JV sold the Hunt's business in 2017 as part of our portfolio rationalization exercise in URC and we will be launching new products on 2018 in line with our portfolio of snacks and beverage like Swiss Miss.

VITASOY-URC INC.

ESTABLISHED IN 2017 to promote consumers' well being and sustainable nutrition by launching plant-based beverage in RTD format for CVS channels and large tetra packs for supermarkets.

SPECIAL FEATURE

URC Oceania

Integrating Australia & New Zealand under a single leadership

In 2017 we started to integrate both Australia and New Zealand as one business under one management. Our immediate priority after acquiring Snack Brands in Australia back in 2016 is to leverage the combined strengths of both our New Zealand and Australia operations to build a large and dynamic macro snacking business across both markets that drives category growth and delivers industry leading returns.

THE GRIFFIN'S FOOD COMPANY

Griffin's is New Zealand's number 1 biscuit company, selling over 300 products from its two manufacturing facilities in Auckland, New Zeand with over 150 years of baking heritage

snackbrands AUSTRALIA

SBA is the second largest player in salty snacks offering branded and a preferred supplier for private label with total market share of ~30%

Our First Year

2017 was a successful year for URC Oceania where the growth outlook for the region remains positive with solid financial performance having significant EBIT growth.

We achieved our immediate priority in our synergies which is to improve the Griffin's business in the Australian market and harness productivity opportunities across our Oceania operations. Aside from Griffin's, we also integrated Nice & Natural into our SBA portfolio where it brought good results driven by new trade terms, reduction in logistics cost, and more effective advertising.

Looking Ahead

For 2018, we will still leverage on trans Tasman synergistic opportunities and we target to finish the ticket items such as facility rationalization, supply chain, and further scaling of the business operations. Looking at how we operate, we will continue to invest in automation and pursue leadership in safety, quality, and sustainability.

Our growth opportunities are still intact. In New Zealand we will push domestic growth by simplifying the business and we will be re-launching Griffin's in the ASEAN markets to address changing consumer taste in savory biscuits. In Australia, we will push the innovation of our core salty snacks, increase the capacity of our pop-corn lines, and reinvigorate our growth in large retailers.

ANZ Leadership Conference 2018
BETTER TOGETHER NOOSA

SOFITEL NOOSA, 14-16 MARCH

The first Oceania Conference was held in the lush town of Noosa in Brisbane Australia last March 14-16, 2018 where URC Oceania leaders together with URC President & COO, Mr. Lance Gokongwei kicked off the year as one Oceania team. The goal is to act as a single business unit while keeping the heritage and identity of both Snackbrands and Griffin's. This is also the reason why the conference is called "Better Together" since the belief is that successful business results can be achieved by enhanced relationship that the Oceania team will form and nurture in the coming years.

The event also was a platform for Mr. Gokongwei to personally thank the Oceania team for a great 2017 for successfully growing the business in Australia while lifting profitability in New Zealand which is driven by synergies.

Aside from relationship building activities, URC Oceania CEO, Paul Musgrave cascaded the plans in the next 5 years on how URC Oceania will operate in a new business model through fewer, bigger, and better bets. Emphasis in successful execution by encouraging everyone in the conference to be champions of their respective initiatives since most of the plans require new processes and ways of working across the Tasman region.

Lastly, the most important objective of the conference is how the URC Oceania Leaders established the importance of a great corporate culture since it will be the foundation of strategy. Mr. Musgrave shared his experience in Australia that SBA was able to maintain a positive behaviour despite being under significant pressure in most parts of the business. He also shared his experience in New Zealand where the Strategic Leadership Team gave voice to the culture that they want to create moving forward. Mr. Musgrave was immensely proud to continue seeing how these behaviours shape URC Oceania's culture moving forward in achieving their shared vision.

SPECIAL FEATURE

Transforming Vietnam

2017 has been a year that the competitive landscape in Vietnam has changed significantly and this would require necessary changes in our support groups as well as in our value delivery activities to ensure we maintain our competitiveness in the market and take our relationships with our key stakeholders to the next level.

Food Safety System Certification 22000

Strengthening our support groups

HUMAN RESOURCE:
Energizing employee engagement

1. Professional On-boarding for new hires
2. Learning Sessions
3. Competency based system
4. Q&S program
5. Pulse Survey

Initiatives to drive team collaboration and "love for company" mindset. The 93% 2017 Pulse Survey score (vs 76% in 2016) is a positive indication

CORPORATE AFFAIRS :
Driving external stakeholder engagement

1. Active participation with Vietnam Beverage Association's (VBA) campaign to engage relevant gov't agencies on the proposed sugar tax law.
2. "Media day" initiatives to drive better rapport with news & current affairs media.
3. Re-started Hanoi operations with successful acquisition of the ff:
   1) Land Classification & Official Confirmation of construction and
   2) Updated Land Use Right.
4. Promoting the "Made in Vietnam" products with the 1st participation at the International Food Expo in Hcmc

The higher levels of visibility & engagement with external stakeholders will surely be beneficial in ensuring better business continuity.

INFORMATION SECURITY:
Tighter IT security & more robust business processing protocols

1. Persistent and pervasive cybersecurity protocols.
2. Seamless cyber communication via reliable wifi service & virtual meeting capabilities.
3. DMS/SFA pilot in Mekong (3 distributors)
4. HR Performance Mgt system
5. New Budget Mgt system

To drive a more efficient, secure and reliable business processing environment.

Transforming our value delivery activities

RESEARCH & DEVELOPMENT

Faster project mgt. & better development analytics

1. On-time launch for Yuca, Chikki Korean and Rong Do Cup Grape.
2. Consumer centric development protocol driven by closer collaboration with Marketing Team.

These key initiatives have resulted in better quality new product launches. The recently launched sku's are trending above expectations despite limited mktg investments.

PROCUREMENT & SUPPLY CHAIN

Sustained performance & responsiveness to changing business dynamics

1. 95% OFR performance for both Food and Bev demand
2. CTSR within budget standards
3. Activation of North & Central DC's resulting to max of 2-days delivery lead time nationwide.

Despite challenging times, the Supply Chain & Procurement Teams remain ever responsive and continues to deliver beyond expectations.

MARKETING

Changing the game with innovation

1. Enhanced digital capability with new Digital Mktg Mgr.
2. Focused brand management with new organization structure.
3. Better communication & mktg analytics capability via robust partnerships with Publicis Group and ACNielsen.
4. Innovation culture & mindse: we never stop & never settle with "just good."

The initiatives above started to deliver results during Q4 2017, when we first executed a digitally driven brand campaign for C2. This is where we vividly witnessed the potential power of digital media.

The innovation mindset we planted will soon bear fruit as we launch new "game changer" products in 2018.

MANUFACTURING & QA

Driving world class quality & safety culture

1. ISO 14001 EMS, ISO9001:2008 & Halal certification for all URC VN facilities
2. FSSC 22000 for VSIP 1 & Hanoi facilities (URC VN was the first to achieve this standard among all URC BCFG facilities)
3. Completed phase 1 (Heavy Metal Testing) for Central Lab project.

We are starting to benefit from the achievements above as we registered a 25% reduction in "legit" consumer complaints (to 1.48ppm) in 2017.

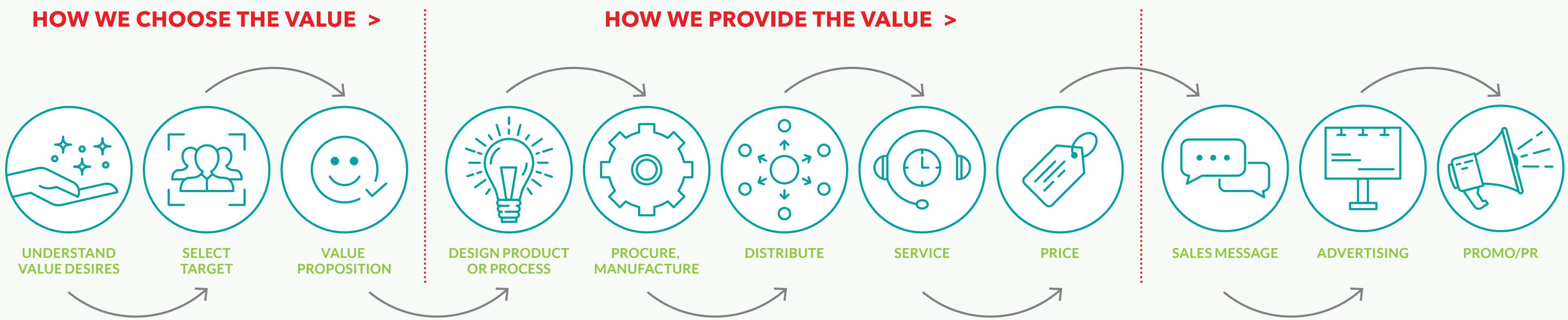
SALES & EXPORT

Driving pervasive availability & visibility for URC brands, in both domestic and international markets

1. Domestic Sales organic commando selling combined with 3rd party special distribution program.
2. Domestic Sales tactical trade programs (GT/MT)
3. Domestic Sales Food vs Bev team split for better category focus.
4. Disciplined sell-in/sell-out protocols for healthier inventory mgt.
5. Export website

These key initiatives were critical in reviving domestic brand availability for beverage SKU's. The sales team split was especially beneficial in driving a more balanced portfolio, with FOODS now contributing over 30% to total domestic sales.

The Export website launch will now better showcase URC VN's capabilities to international customers.



Agro-Industrial Group

In CY 2017, **AIG sales grew by 10%** vs 2016

URC-AIG continuously provides unparalleled value through its Kabalikat principles.

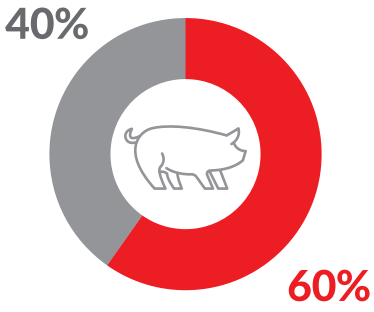
AIG SUSTAINED ITS position as one of the largest fully integrated and well-respected Agro-Industrial companies in the Philippines providing good quality and safe products through our feeds, veterinary drugs, hogs and poultry segments to the consumer market.

The Agri Consumer Group of AIG has continuously strengthened its position as a premium source of farm products through its brand position of "Robina-Raised" and "Family Safe" products with pioneering position of No Hormone and No Antibiotic residue guarantee. As a result, Robina Farms has achieved premiere status as the freshest & safest Hog Meat & Egg product available to Filipino families.

Our Brands

Our Hogs Business

We effectively managed to raise live pigs and sell 60% of it as value added categories such as Carcasses and Fresh Meats



Slaughterhouse

- We have efficiently operated our AAA Slaughterhouse and Meat Fabrication facility in Antipolo City
- We managed to retain our certifications on Good Animal Husbandry Practices (GAHP), Good Manufacturing Practice (GMP) and Hazard Critical Control Points (HACCP) to ensure high quality and family safe products

Our Poultry Business

For Poultry, despite the avian influenza (flu) issue, we still managed to generate income as we have guarded our farms by strictly implementing our bio-security protocols.

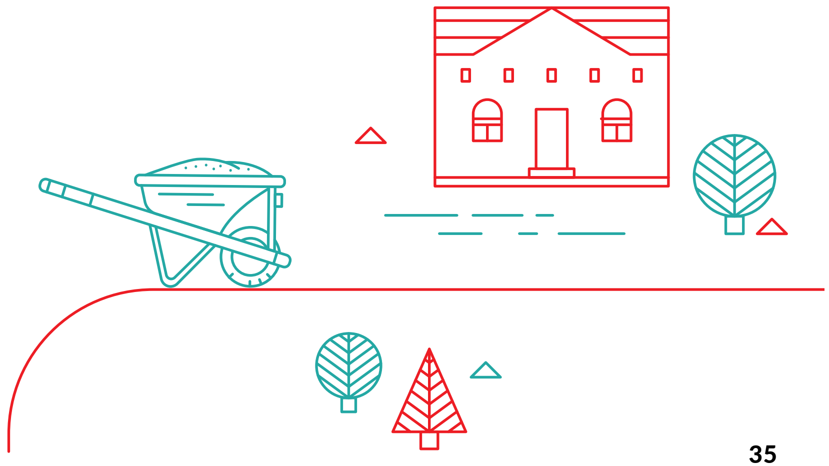
Our Feeds Business

TopBreed expands its market by entering the modern trade channel. Customers can now receive the convenience of purchasing the products in a supermarket, especially in the greater Manila area. As of October 2017, TopBreed is available at 30 Robinsons Supermarket outlets.

We successfully launched Supremo S-Maxxx Infinity Line that created the convergence of the product superiority of Supremo and the cost efficiency of S-Maxxx, which aims to continuously grow our Gamefowl Feeds.

Our Kabalikat Programs

We have successfully expanded our Kabalikat Programs to more external stakeholders in Hogs, Gamefowl and HRI nationwide and continue our principle of being a "Kabalikat sa Pag-unlad" that aims to develop and promote local livestock owners that are certified users and brand ambassadors. The Kabalikat program extends unparalleled services to Kabalikat partners to assist and guide them in improving their business performance. This has now evolved into a platform where both Robina Agri Partners and the Kabalikat Partner can share best practices and improve together and simultaneously learn from each other.



Commodity Foods Group

COMMODITY FOODS GROUP

Sugar & Renewables

Our Sugar and Renewables (SURE) business is the largest sugar milling capacity based on consolidated milling capacity and production.

URC SURE IS divided into two major businesses namely, URC Sugar and URC Renewables. URC Sugar is involved in sugar milling and refining, whereas URC Renewables engages on the production of fuel-grade anhydrous ethanol suitable for gasoline blending and biomass fired power cogeneration (CoGen). URC SURE has also ventured into CO_2 recovery and liquefaction which commenced commercial operations last August 2017.

In CY 2017, **SURE sales grew by 28%** vs 2016

Our Sugar Operation

Mill, Refinery and Tolling

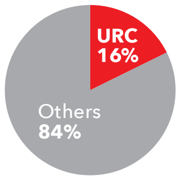
- URSUMCO
  Manjuyod, Negros Oriental
- SONEDCO
  Kabankalan City,
  Negros Occidental
- CARSUMCO
  Piat, Cagayan Valley

Mill

- TOLONG
  Sta. Catalina,
  Negros Oriental
- PASSI
  San Enrique, Iloilo
- BALAYAN
  Balayan, Batangas

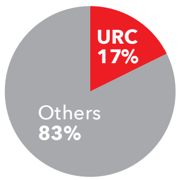
MILLING CAPACITY: 35,500 tons of sugar cane
PRODUCTION: 32,000 bags of refined sugar per day

CROP YEAR 2016-2017



#3 REFINED SUGAR PRODUCER

Actual production of 2.9M bags accounts for 16% of the total domestic production



#1 RAW SUGAR PRODUCER

417K MT out of the 2.5M MT total domestic production of Raw Sugar

For 2018, an expansion project for increased capacity of 7,500 tons covering SONEDCO and BALAYAN., thereby making URC a new combined milling capacity of 43,000 tons of sugar cane.

Our Renewable Operation

URC SURE is registered in the Department of Energy as a renewable energy developer of biomass-fired power cogeneration plant and as a manufacturer of bio-ethanol

URC CoGen plant

- Located in SONEDCO, Kabankalan City, Negros Occidental
- Can generate 46 megawatts of power using bagasse, a byproduct of sugar milling, as fuel
- Exports 20 megawatts of its total power generation to the national grid.

URC Distillery plant

- Located in Bais City, Negros Oriental
- Can produce 100,000 liters per day of fuel grade anhydrous ethanol
- Uses molasses, a joint-product of sugar production, as its primary feedstock
- The division is also the first ethanol distillery plant in Southeast Asia to utilize a spent wash incineration boiler, ensuring environmentally safe and hazards-free operations

URC CO2 Recovery & Liquefaction plant, located in URC Distillery, Bais City, Negros Oriental, has commenced commercial operations in 2017 with a capacity of 48 tons per day.

COMMODITY FOODS GROUP

Flour

Our Flour division is one of the top flour millers in the Philippines with the milling capacity of 1,250 MT per day from its Manila and Davao plants.

We manufacture and sell hard and soft wheat flour in both commercial and institutional markets. Hard flours are branded as UNIVERSAL, GLOBE First Class Flour, and Blend 100 Flour. Brands under soft flour category are MY ROSE and SAMPAGUITA. Specialty Flour brands include CONTINENTAL All-Purpose Flour, DAISY Cake Flour, FibrA+ Whole Wheat Flour, and NOODELICIOUS Noodle Flour.

In addition, we offer flour by-products such as wheat germ, bran, and pollard. We also commercially sell our very own pasta product line, El Real, with variants such as spaghetti, macaroni, flat spaghetti, and curly macaroni. El Real was the first brand to introduce a healthy pasta with real malunggay and carrot bits.

Our growing pasta business

In CY 2017, **pasta sales volume grew by 10%** vs 2016

EL REAL

El Real captured
12%
of the domestic market

This made El real move to
#3 POSITION
overtaking one of the strong players in the domestic pasta business

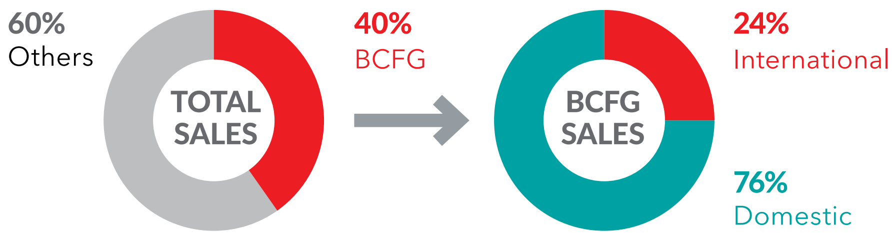
Our Brands

Did you know?

Our flour products are being used as raw materials to produce Jack n Jill snacks like Quake Overload, Magic, etc.

40 percent from our total sales volumes are sold to URC's Branded Foods Business (BCFG).

Within BCFG, majority of the volumes are being sold to the Philippine domestic business and the remaining 24% are being sold to URC's international affiliates as part of URC Flour's export products.



Baker John
Whole Grain Wheat Bread

- Baker John's first healthy offering.
- High source of fiber, with the benefits of natural honey
- Available in selected Robinsons and Ministop stores in Luzon.

Corporate Governance

THE BOARD OF DIRECTORS, officers and employees of Universal Robina Corporation (URC) are committed to the principles of corporate governance contained in the Corporate Governance Manual. The Board recognizes that Corporate Governance is a necessary component of sound business management which will in turn contribute to the improvement of the value of the Company for the benefit of its shareholders and stakeholders.

While there is an agile pursuit to foster the long-term success of the Company and sustain its competitiveness and profitability, the Company ensures URC is committed to institutionalizing corporate governance standards and strikes a balance between the two. As a publicly listed company in the Philippines, URC is covered by corporate governance rules and regulations of the Philippines Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The Company adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Business Conduct and related SEC Circulars and PSE Memorandums. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Company observes good governance and management practices. This is to assure the stockholders and other stakeholders that the Company conducts its business with the highest level of integrity, transparency and accountability.
The Company submits corporate governance reports to various government agencies in compliance to the regulatory requirements. To wit:

1. **Corporate Governance Manual**

   The Revised Manual of Corporate Governance is the foundation of the Company's governance policies, which states the responsibilities of the Board, Management and the Company to stockholders and all other stakeholders. It complies with the SEC Code of Corporate Governance under SEC Memorandum Circulars No. 2 Series of 2002, No. 6 Series of 2009, No. 9 Series of 2014, and No. 19 Series of 2016. The Revised Corporate Governance Manual was amended and submitted to the SEC on May 31, 2017. The Manual elaborates the Responsibilities of the Board, Management and the Company to the stockholders and other stakeholders of the Company.

2. Annual Corporate Governance Report (ACGR)

The Company submits to the SEC the accomplished ACGR Form in compliance with SEC Memorandum Circular Numbers 5 and 9, Series of 2013; 1 and 12, Series of 2014; and 20 Series of 2016. This report discusses the Company's Board and Committee responsibilities, code on business conduct and ethics, Board and Management remuneration, risk management and internal control system, stakeholder roles, corporate social responsibility initiatives, investor relations program and internal policy on sanctions.

3. PSE Corporate Governance (CG) Disclosures Survey

The Company fully complies with the annual submission of the Corporate Governance Disclosure Report to the Philippine Stock Exchange (PSE) in accordance with PSE Memorandum No. 2010-0574.

Governance Structure

A. Board of Directors

1. The Board of Directors is primarily responsible for the governance of the Compny and provides an independent check on management.
2. It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of the Company, its Shareholders and Stakeholders, as a whole.
3. The Board formulates the Company's vision, mission, strategic objectives, policies and procedures that guides its activities, including the means to effectively monitor Management's performance.

The Board exercises care, skill and judgment and observe good faith and loyalty in the conduct and management of the business and affairs of the Company. The Board ensures that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules and regulations.

To ensure high standard for the Company, its Shareholders and other Stakeholders, the Board conducts itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

1. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Stakeholders;
2. Oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board reviews and guides corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures;
3. Oversee the adoption of an effective succession planning program and remuneration policies;
4. Adopt policies on board nomination and election that will ensure diversity in board composition in terms of knowledge, expertise and experience;
5. Oversee the implementation of a policy and system on RPTs which includes the review and approval of material or significant RPTs and ensure fairness and transparency of the transactions;
6. Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;
7. Oversee the establishment of an internal control system to monitor and manage potential conflicts of interest and an ERM framework to identify, monitor, assess and manage key business risks;
8. Annually review, together with Management, the Company's vision and mission;
9. Ensure the Company's faithful compliance with all applicable laws and regulations, and best business practices;
10. Establish and maintain an Investor Relations Program that will keep the Shareholders informed of important developments in the Company.

11. Identify the Company's Stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them;
12. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times;
13. Ensure that the Company has an independent audit mechanism for the proper audit and review of the Company's financial statements by independent auditors;
14. Ensure that the Company establishes appropriate Corporate Governance policies and procedures pursuant to this Manual and the Governance Code, including but not limited to, policies on conflict of interest, and oversee the effective implementation thereof; and
15. Consider the implementation of an alternative dispute resolution system for the amicable settlement of conflicts or differences between the Company and its Shareholders, if applicable.

Internal Control Responsibilities of the Board

The control environment of the Company consists of (a) the Board which ensures that the Company is properly and effectively managed and supervised; (b) Management that actively manages and operates the Company in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management of information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

1. The internal control mechanisms for the performance of the Board's oversight responsibility may include:
   - 1.1. Definition of the duties and responsibilities of the CEO;
   - 1.2. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
   - 1.3. Evaluation of proposed Senior Management appointments;
   - 1.4. Evaluation of appointments of Management Officers; and
   - 1.5. Review of the Company's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.
2. The Company's systems of effective organizational and operational controls are continuously developed and updated based on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
3. The Company establishes an Internal Audit system that can provide assurance service to the Board, Management and Shareholders and ensure that key organizational and operational controls are in place. The Board appoints an Internal Audit Head to perform the Internal Audit function. The Internal Audit Head is guided by the Local and International Standards on Professional Practice of Internal Auditing.

Board Meetings and Quorum Requirement

The Board schedules meetings at the beginning of the year, and holds regular meetings in accordance with its By-Laws and convenes special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials are furnished to the Directors at least five (5) business days prior to each meeting, which meeting must be duly minuted. The members of the Board attend regular and special meetings in person or through video/teleconferencing conducted in accordance with the rules and regulations of the SEC except for justifiable reasons that prevent them from doing so. The Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

To monitor the Directors' compliance with the attendance requirements, the Company submits to the Commission, within five (5) business days from the end of the Company's fiscal year, an advisement letter on Directors' record of attendance in Board meetings.

Attendance of Directors

January 1, 2017 to December 31, 2017

BOARD	NAME	DATE OF ELECTION	NO. OF MEETINGS DURING THE YEAR	NO. OF MEETINGS ATTENDED	%
Member	John L. Gokongwei, Jr.	June 28, 2017	11	11	100.00%
Chairman	James L. Go	June 28, 2017	11	11	100.00%
Member	Lance Y. Gokongwei	June 28, 2017	11	11	100.00%
Member	Patrick Henry C. Go	June 28, 2017	11	11	100.00%
Member	Frederick D. Go	June 28, 2017	11	11	100.00%
Member	Johnson Robert G. Go, Jr.	June 28, 2017	11	11	100.00%
Member	Robert G. Coyiuto, Jr.	June 28, 2017	11	10	90.91%
Independent	Wilfrido E.Sanchez	June 28, 2017	11	11	100.00%
Independent	Pascual S. Guerzon	June 28, 2017	11	11	100.00%

B. Board Committees

To aid in the optimal performance of its roles and responsibilities and ensure compliance with the principles of Corporate Governance, the Board formed the following Board Committees: (a) Audit Committee (b) Corporate Governance Committee and (c) Board Risk Oversight Committee (BROC).

B.1. Audit Committee

The role of the Audit Committee is to provide oversight over the Company's financial reporting, Internal Control System, Internal and External Audit processes, and monitor compliance with applicable laws and regulations. It ensures that systems and processes are put in place to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of business operations, and proper safeguarding and use of the Company's resources and assets.

FUNCTIONS

1. Oversee the Internal Audit Department, and recommend the appointment and/or grounds for approval of the Internal Audit Head;
2. Approve the terms and conditions for the outsourcing of Internal Audit services if applicable;
3. Through the Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets;
4. Review the Annual Internal Audit Plan to ensure its conformity with the objectives of the Company. The Plan shall include the audit scope, resources, and budget necessary to implement it;
5. Review the reports submitted by the Internal and External Auditors;
6. Review and monitor Management's responsiveness to Internal Audit's findings and recommendations;
7. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination, if more than one audit firm is involved in the activity, to secure proper coverage and minimize duplication of efforts;

8. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the proportion of non-audit fees paid to the External Auditor to the Company's overall consultancy expenses.
9. The Committee shall evaluate if the non-audit work will create a potential conflict of interest and shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. If the non-audit work is allowed, this shall be disclosed in the Company's Annual Corporate Governance Report;
10. Review and approve the interim and Annual Financial Statements before their submission to the Board, with particular focus on the following:
    - Any change/s in accounting policies and practices;
    - Areas where significant amount of judgment has been exercised;
    - Significant Related Party Transactions;
    - Significant adjustments resulting from the audit;
    - Going concern assumptions;
    - Compliance with accounting standards; and
    - Compliance with tax, legal, and regulatory requirements.
11. Review the disposition of the recommendations in the External Auditor's management letter;
12. Perform oversight functions over the Company's Internal and External Auditors. It shall ensure the independence of Internal and External Auditors, and that both auditors are given reasonable access to all material records, properties and personnel to enable them to perform their respective audit functions;
13. Recommend the appointment, re-appointment, removal and fees of the External Auditor; and
14. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal controls, audit process and monitoring of compliance with applicable laws, rules and regulations.

B.2. Corporate Governance Committee

To oversee the development and implementation of Corporate Governance principles and policies. The Corporate Governance Committee recommends a formal framework on the nomination, remuneration and evaluation of the performance of the Directors and key Management Officers to ensure that this framework is consistent with the Company's culture, strategies and the business environment.

FUNCTIONS

1. Oversee the implementation of a Corporate Governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as the business and regulatory environment;
2. Oversee the formulation and implementation of a Code of Business Conduct and Ethics and internal policies and monitor compliance with such code and policies through communication and awareness campaign, continuous training and setting a proper forum where issues may be addressed;
3. Oversee the performance evaluation of the Board and its Committees and Management, and conduct an annual self-evaluation of its performance;
4. Recommend continuing education/training programs for Directors, assignment of tasks/projects to Board Committees, succession planning for the Board members and senior Officers, and levels of remuneration for corporate and individual performance;
5. Determine the nomination and election process for the Company's Directors and define the general profile of the Board members that the Company may need and ensure appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
6. Establish a formal procedure to develop a policy for determining the remuneration of Directors and Officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates, including disallowing any Director to decide his remuneration;
7. Establish efficient communication channels which aid and encourage employees, customers, suppliers, creditors and other Stakeholders to raise concerns on potential unethical or unlawful behavior without fear of retribution; and
8. Review recommendations concerning policies on conflict of interest, salaries and benefits policies, promotion and career advancement directives, and compliance with all statutory requirements.

B.3. Board Risk Oversight Committee

To oversee the establishment of ERM framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

FUNCTIONS

1. Oversee the development and implementation of a formal ERM Plan that contains the following elements:
   - Common language or register of risks;
   - Well-defined risk management goals, objectives and oversight;
   - Uniform processes of identifying, assessing, evaluating and

     measuring risks as well developing strategies to manage and mitigate prioritized risks;
   - Designing and implementing risk management strategies; and
   - Continuing assessments and monitoring to improve risk strategies, processes and measures;
2. Evaluate the ERM Plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC shall revisit defined risk management strategies, look for emerging or changing material exposures, and stays abreast of significant developments that may seriously impact the likelihood of harm or loss;
3. Review the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and occurrence of major events that may have a major impact on the Company;
4. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Company and its Stakeholders;
5. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
6. Report to the Board on a regular basis, or as deemed necessary, the Company's risk, material risk exposures, the actions taken to reduce the risks, and recommends appetite levels, risk tolerance limits, further action or plans, as necessary.

C. The Chairman

The Chairman of the Board of Directors presides at all meetings of the Board of Directors and Shareholders. The Chairman also assists in ensuring compliance with and performance of the Corporate Governance policies and practices. As needed or in accordance with applicable regulations such as the Revised Code of Corporate Governance, the roles of Chairman and the CEO may be separated in order to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. A clear delineation of functions are made between the roles of the Chairman and CEO. If the roles of Chairman and CEO are unified, the proper checks and balances are laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

1. The Chairman supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary and Management and make certain that such agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
2. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
3. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual Directors;
4. Ensure that the Board sufficiently challenges and inquires on reports submitted

and representations made by Management;

5. Assure the availability of proper orientation for first-time Directors and continuing training opportunities and requirements for all Directors; and
6. Ensure that performance of the Board is evaluated at least once a year and discussed/ followed up on.

D. The CEO

DUTIES AND RESPONSIBILITIES OF THE CEO

1. Communicate and implement the Company's vision, mission, values and overall strategy and promote any Company or Stakeholder change in relation to the same;
2. Build the corporate culture and motivate the employees of the Company. Direct, evaluate and guide the work of key Officers of the Company;
3. Oversee the operations of the Company and manages human and financial resources in accordance with the strategic plan;
4. Serve as the link between internal operations as well as internal and external Stakeholders;
5. Exercise general care, management and administration of the business operations of the Company. The CEO ensures that: (a) the business and affairs of the Company are managed in a sound and prudent manner; and (b) operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts;
6. Provide leadership for Management in determining, developing and implementing business strategies, plans and budgets to the extent approved by the Board. He provides the Board with a balanced and understandable account of the Company's performance, financial condition, results of operations and prospects on a regular basis;
7. Provide the Directors/Board with adequate and timely information about the matters to be taken up in their Board meetings and, upon the request of any Director or the Board, make presentations on specific topics and respond to further inquiries in relation thereto during Board meetings. The Directors have independent access to Management; and
8. Formulate, under the oversight of the Audit Committee, financial reporting and internal control systems, rules and procedures.

E. The Corporate Secretary

DUTIES AND RESPONSIBILITIES OF THE CORPORATE SECRETARY

1. Be loyal to the mission, vision, and objectives of the Company;
2. Work fairly and objectively with the Board, Management, Shareholders, and other Stakeholders;
3. Assist the Board and the Board Committees in the conduct of their meetings, including preparing an annual schedule of Board and Committee meetings and the annual Board calendar, and assisting the chairs of the Board and its Committees in setting agendas for those meetings;
4. Safe keep and preserve the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company;
5. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advise the Board and the Chairman on all relevant issues as they arise;
6. Work fairly and objectively with the Board, Management and Shareholders and contribute to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders;
7. Advise on the establishment of Board Committees and their terms of reference;
8. Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five (5) business days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
9. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
10. Perform required administrative functions;
11. Oversee the drafting of the By-laws and ensure that they conform with regulatory requirements; and

12. Perform such other duties and responsibilities as may be provided by the SEC or as may be assigned by the Board.

F. Internal Audit

ROLE OF THE INTERNAL AUDIT

The role of Internal Audit is to provide independent, objective and risk based assurance within the Company, designed to add value and improve the Company's operations. This will help the Company accomplish its objectives by providing a systematic and disciplined approach for the evaluation and improvement of the effectiveness of risk management, control and governance processes.

PURPOSE AND SCOPE OF WORK OF INTERNAL AUDIT

The purpose of Internal Audit is to examine and evaluate whether the Company's controls and processes, as designed by Management, are adequate, efficient, and functioning in a manner to ensure that:

1. Programs, plans, goals and objectives are achieved;
2. Employee's actions are in compliance with policies, code of conduct, standards, procedures, and applicable laws and regulations;
3. Authorities and responsibilities are clear, properly assigned, and documented;
4. Changes in functions, services, processes, and operations are properly evaluated;
5. Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately;
6. Control activities are integral part of daily operations;
7. Adequate controls are incorporated into information technology systems;
8. Assets or resources are acquired economically, used efficiently, and adequately protected or safeguarded;
9. Financial, management, and operating information are reliable, timely, relevant, accurate, accessible, and provided in a consistent format;
10. Channels of communication are effective to ensure that interaction with business units and corporate centers occurs as needed; and
11. Continuous quality improvement is fostered in the business unit and corporate center's control processes.

RESPONSIBILITIES OF INTERNAL AUDIT

Internal Audit is solely responsible for the planning, implementation, and reporting of its results. For this purpose, Internal Audit shall:

1. Periodically review the Internal Audit charter and present it to the Senior Management and the Audit Committee for approval;
2. Establish and implement risk-based Internal Audit Plan, including policies and procedures, to determine the priorities of the Internal Audit activity, consistent with the Company's goals;
3. Present the Internal Audit Plan and its performance, resource requirement and impact of resource limitations, as well as significant interim changes, to Senior Management and the Audit Committee for review and approval;
4. Spearhead the performance of the Internal Audit activity to ensure it adds value to the Company;
5. Prepare a forward Strategic Audit Plan to set the direction and approach of audits in the long-term;
6. Perform regular and special audit as contained in the Annual Audit Plan and/or based on the Company's risk assessment;
7. Perform consulting and advisory services related to governance and control as appropriate for the Company;
8. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, that could have a significant impact on the Company;
9. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Company;
10. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
11. Evaluate specific operations at the request of the Board or Management, as appropriate;
12. Monitor and evaluate governance processes;
13. Report in a timely manner significant issues noted during the audit relating to

the adequacy, efficiency, and effectiveness of policies, controls, processes, and activities of the Company. As directed by or under the policies of the Audit Committee, furnishes auditees and/or any other member of Management copies of the reports;

14. Recommend any improvement in policies and procedures, systems of controls, processes, and other financial and operational matters to assist Management in the effective discharge of their responsibilities, in order to minimize or prevent waste, extravagance, negative image, and fraud. Management is responsible to implement specific recommendations;
15. Coordinate with External Auditors and ensure that the audit works are complementary to optimize coverage at a reasonable cost; and
16 Comply with standards that are promulgated by the relevant professional and regulatory bodies.

AUTHORITY OF THE INTERNAL AUDIT

Subject to the approval of the Audit Committee, Internal Audit is authorized to:

1. Decide on the nature, scope, timing, and frequencies of audit;
2. Allocate resources and apply different techniques required to accomplish audit objectives;
3. Assess and recruit personnel with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter provided within policy and approved budget;
4. Have discussions with Management and employees of the Company at any reasonable time;
5. Attend or participate in meetings relating to the Board's oversight responsibilities for auditing, financial reporting, Corporate Governance, and control;
6. Have full and free access to the Audit Committee; and
7. Obtain the necessary assistance of business unit or corporate center, as well as other specialized services from within or outside the Company.

G. Enterprise Risk Management

ROLE OF ERM

The role of ERM is to oversee that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

FUNCTIONS AND RESPONSIBILITIES OF ERM

ERM shall have the following functions and responsibilities:

1. Define a risk management strategy;
2. Identify and analyze key risk exposures relating to Economic, Environmental, Social and Governance ("EESG") factors and the achievement of the Company's strategic objectives;
3. Evaluate and categorize each identified risk using the Company's predefined risk categories and parameters;
4. Establish a risk register with clearly defined, prioritized and residual risks;
5. Develop risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;
6. Communicate and report significant risk exposures including business risks (e.g. strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the BROC;
7. Collaborate with the CEO in updating and making recommendations to the BROC;
8. Coordinate, monitor, and facilitate compliance with laws, rules, and regulations; and
9. Suggest ERM policies and related guidance, as may be needed.

AUTHORITY OF ERM

Subject to the approval of the BROC, the ERM is authorized to:

1. Allocate resources and apply different techniques required to accomplish ERM objectives;
2. Assess and recruit personnel with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter provided

within policy and approved budget;

3. Have discussions with Management and employees of the Company at any reasonable time;
4. Attend or participate in meetings relating to the Board's oversight responsibilities for ERM;
5. Have full and free access to the BROC; and
6. Obtain the necessary assistance of Business Unit or Corporate Center Unit, as well as other specialized services from within or outside the Company.

H. Compliance Officer

APPOINTMENT OF THE COMPLIANCE OFFICER

The Board ensures that it is assisted in its duties by a Compliance Officer. The Board may consider appointing a Compliance Officer with a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer should not be a member of the Board of Directors and shall have direct reporting responsibilities to the Chairman of the Board. The Compliance Officer shall annually attend a training on Corporate Governance.

THE COMPLIANCE OFFICER SHALL PERFORM THE FOLLOWING DUTIES:

1. Ensure proper onboarding of new Directors (i.e., orientation on the Company's business, charter, Articles of Incorporation and By-laws, among others);
2. Monitor, review, evaluate and ensure the compliance by the Company; its Officers and Directors with the provisions and requirements of this Corporate Governance Manual and the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
3. Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
4. Ensure the integrity and accuracy of all documentary submissions to the regulators;
5. Appear before the SEC when summoned in relation to compliance with this Code;
6. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
7. Identify possible areas of compliance issues and works towards the resolution of the same;
8. Ensure the attendance of Board members and key Officers to relevant trainings;
9. Assist the Board and the Corporate Governance Committee in the performance of the their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Company, and to assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board Committees and individual Board members in carrying out their functions as set out in this Manual and the respective charters of the Board Committees; and
10. Perform such other duties and responsibilities as may be provided by the SEC.

ADEQUATE AND TIMELY INFORMATION

To enable the Directors to properly fulfill their duties and responsibilities, Management shall provide the Directors with complete, adequate, and timely information about the matters to be taken up in their meetings. Information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents. If the information provided by Management is not sufficient, further inquiries may be made by a Director to enable him to properly perform his duties and responsibilities. The Directors shall have independent access to Management and to the Corporate Secretary.

The Directors, either individually or as a Board, and in the performance of their duties and responsibilities, may seek access to independent professional advice within the guidelines set by the Board.

ACCOUNTABILITY AND AUDIT

The Board ensures that its Shareholders are provided with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business through its website and its submissions and disclosures to the SEC and Philippine Stock Exchange (PSE). Management formulates the rules and procedures on financial reporting and internal control for presentation to the Audit Committee in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly defined;
2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;
3. On the basis of the approved Internal Audit Plan, Internal Audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operation information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations; and
4. The Company consistently complies with the financial reporting requirements of the SEC.
5. The External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the External Auditing firm assigned to the Company, should be changed with the same frequency. The Corporate IA Head should submit to the Audit Committee and Management an annual report on the Internal Audit department's activities, responsibilities, and performance relative to the Internal Audit Plan as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Audit Head should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, the Internal Audit Head shall disclose to the Board and Management the reasons why he has not fully complied with the said documents.

The Board, after consultations with the Audit Committee shall recommend to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the matter by which the financial statements shall be prepared and presented to the Shareholders. The External Auditor shall not, at the same time, provide Internal Audit services to the Company. Non-audit work may be given to the External Auditor, provided it does not conflict with his duties as an independent External Auditor, or does not pose a threat to his independence. If the External Auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any disagreement between the External Auditor and the Company on accounting principles or practices, financial disclosures or audit procedures which the former External Auditor and the Company failed to resolve satisfactorily. If the External Auditor believes that any statement made in the Annual Report, Information Statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matters in the said reports.

Stakeholders' Rights and protection of Minority Shareholders' Interest

A. Shareholders

A.1. Shareholders' Rights

The Board is committed to treat all Shareholders fairly and equitably, and recognizes, protects and facilitates the exercise of their rights. These rights relate to the following among others:

1. Right to vote on all matters that require their consent or approval
2. Right to inspect corporate books and records
3. Right to information
4. Right to dividends
5. Appraisal right

A.2. Promotion of Shareholders' Rights

The Board is transparent and fair in the conduct of the annual and special Shareholders' meetings of the Company. The Board encourages active Shareholders participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting in accordance with the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

Result of the votes taken during the most recent Annual or Special Shareholders' Meeting are publicly made available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be made available on the Company Website within five (5) business days from the end of the meeting.

B. Other Stakeholders

The Company identifies the various Stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability. The Company establishes clear policies awnd programs to provide a mechanism on the fair treatment and protection of Stakeholders.

The Board adopts a transparent framework and process that allows Stakeholders to communicate with the Company and to obtain redress for the violation of their rights. Stakeholders may communicate with the Company through the various Stakeholders touchpoints such as the Investor Relations Office, Office of the Corporate Secretary, Customer Relations Office, the Corporate Communications Group and the Company's Website.

The Board also establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance including but not limited to:

- Health, safety and welfare;
- Training and development; and
- Reward and compensation.

The Company recognizes and place importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company sustainable growth, while contributing to the advancement of the society where it operates.

The Company employs value chain processes that takes into consideration EESG issues and concerns.

Role of Stakeholders

Customers' Welfare

The Company has a customer relations policy and procedure to ensure that customers' welfare are protected and questions are addressed. Customers are informed with the Company's customer relations contacts to ensure that their welfare and questions are addressed.

Supplier/Contractor Selection

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Suppliers and contractors undergo accreditation and orientation on Company policies.

Employees

Performance-enhancing mechanisms for employee participation

The Company abides by safety, health, and welfare standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented and regularly reviewed to ensure the security, safety, health, and welfare of the employees in the work place.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development known as JG-ILED, the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

Anti-corruption programs and procedures

The Company is committed to promoting transparency and fairness to all stakeholders. The Board sets the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through trainings to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders. Further, all concerned employees of the Conglomerate are required to comply with the Annual Self-Disclosure Activity on an annual basis.

The Company also has an established suitable framework for whistleblowing and ensure its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

BUSINESS CONDUCT & ETHICS	POLICY STATEMENT
Conflict of Interest	The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.
Conduct of Business and Fair Dealings	The Company's employees that recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions that they are involved in.
Receipt of Gifts from Third Parties	The Company discourages the acceptance of gifts. However, gifts like advertising novelties maybe given or accepted during the Christmas season. There is no restriction in the value of the gift accepted. However, accepted gift with estimated value over Php2,000.00 must be disclosed to the Conflicts of interest Committee.

BUSINESS CONDUCT & ETHICS	POLICY STATEMENT
Compliance with Laws and Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.
Respect for Trade Secrets/Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.
Use of Company Funds, Assets and Information	Employees are required to safeguard the Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.
Employment and Labor Laws and Policies	The Company ensures the observance, strict implementation and compliance with employment and labor laws and policies with regards to recruitment, employment, retention and benefits of the employees.
Disciplinary Action	Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that result from the employee's action. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.

BUSINESS CONDUCT & ETHICS	POLICY STATEMENT
Whistleblowing	The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details: a. email address CICOM@jgsummit.com.ph b. fax number 395-3888 c. mailing address Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only" **CICOM** 44th Flr. Robinsons Equitable Tower ADB Avenue, Cor., Poveda Road, Pasig City The complaint shall be filed using the Complaint/ Disclosure Form (CDF) available in the company website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM. The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy.
Conflict Resolution	The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

Disclosure and Transparency

Ownership Structure

Holding 5% shareholding or more (As of December 31, 2017)

SHAREHOLDER	NUMBER OF SHARES	PERCENT	BENEFICIAL OWNER
JG Summit Holdings, Inc.	1,215,223,061	55.13%	Same as record owner
PCD Nominee Corporation (Non-Filipino)	699,014,732	31.71%	PCD Participants and their clients
PCD Nominee Corporation (Filipino)	255,089,258	11.57%	PCD Participants and their clients

Company Website

URC updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These are available on the company's website: http://www2.urc.com.ph/

Board of Directors & Executive Officers

John L. Gokongwei, Jr.

Director, Chairman Emeritus

James L. Go

Director, Chairman

Lance Y. Gokongwei

Director, President,
and Chief Executive Officer

Patrick Henry C. Go
Director, Vice President

Frederick D. Go
Director

Johnson Robert G. Go, Jr.
Director

Wilfrido E. Sanchez
Director

Robert G. Coyiuto, Jr.
Director

Pascual S. Guerzon
Director

URC Branded Consumer Foods Group

Cornelio S. Mapa, Jr.
Executive Vice-President and Managing Director,
URC Branded Consumer Foods Group

Paul Musgrave
Chief Executive Officer, URC Oceania
(Snack Brands Australia & Griffin's Foods New Zealand)

Teofilo B. Eugenio, Jr.
Vice President and Business Unit General Manager, NURC, CBURC, Griffin's and Exports

Tetsuya Takiguchi
President and Chief Operating Officer,
Calbee-URC, Inc.

Hisham Ezz Al Arab
General Manager,
Danone Universal Robina Beverages, Inc.

Maria Sarah P. Albert
General Manager,
Vitasoy-URC, Inc.

Commodity Foods Group

Ellison Dean C. Lee
Vice President and Business Unit General Manager, Flour and Pasta Division

Renato P. Cabati
Vice President and Business Unit General Manager, Sugar and Renewables Group

URC BOPP Packaging and URC Flexible Packaging Divisions

Patrick Henry C. Go
Senior Managing Director, URC BOPP Packaging and URC Flexible Packaging Divisions

Agro-Industrial Group

Vincent Henry C. Go
Vice President and Group General Manager, Agro-Industrial Group

Executive Officers

James L. Go
Chairman

Lance Y. Gokongwei
President and Chief Executive Officer

Patrick Henry C. Go
Director, Vice President

Cornelio S. Mapa, Jr.
Executive Vice President and Managing Director,
URC Branded Consumer Foods Group

Bach Johann M. Sebastian
Senior Vice President

Francisco M. del Mundo
Chief Financial Officer

Chona R. Ferrer
First Vice President

Ester T. Ang
Vice President – Treasurer

Anne Patricia C. Go
Vice President

Alan D. Surposa
Vice President

Michael P. Liwanag
Vice President

Socorro ML. Banting
Assistant Vice President

Rosalinda F. Rivera
Corporate Secretary

Arlene S. Denzon
Compliance Officer

URC Directory

PHILIPPINES

Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne,
E. Rodriguez, Jr. Avenue (C5 Road),
Ugong Norte, Quezon City,
Metro Manila
T: (632) 633-7631 to 40
(632) 240-8801
F: (632) 633-9207
(632) 240-9106

URC Hotline:
559-8URC (872)

Toll Free Hotline:
1800-10URCCARE (8722273)

http://www2.urc.com.ph

Branded Consumer Foods Group
Tera Tower, Bridgetowne, C5 Road,
Ugong Norte, Quezon City, 1110
T: (632) 516-9888

Universal Agri-Industrial Group
16 Santiago St.,
Bagong Ilog, Pasig City
T/F: (632) 671 8194

URC Flour Division
Pasig Boulevard, Bagong Ilog,
Pasig City
T: (632) 672-1578 to 80
F: (632) 672-1587

URC Sugar Division
22nd Floor Robinsons Equitable Tower
ADB Avenue corner Poveda Street
Ortigas Center, Pasig City
T: (632) 395-2400
(632) 395-2398
(632) 395-2557
F: (632) 395-2849

STOCK TRANSFER AND DIVIDEND PAYING AGENT
BDO Unibank, Inc.
Trust and Investment Group
15/F South Tower
BDO Corporate Center
7899 Makati Ave., Makati City

INDEPENDENT PUBLIC ACCOUNTANTS
Sycip Gorres Velayo & Co
Certified Public Accountants
SGV Building
6760 Ayala Avenue
Makati City

INVESTOR RELATIONS
40F Robinsons Equitable Tower
No. 4 ADB corner Poveda Road
Ortigas Center, Pasig City
Philippines
T: (632) 633-7631 loc. 396
F: (632) 470-3919
IR@urc.com.ph

INTERNATIONAL

CHINA

Shanghai Peggy Foods Co., Ltd - Head Office / Factory
No. 358 Jiajian Road, Jiading District,
Shanghai, China 201818
T: 8621-59903127
F: 8621-59903822

HONG KONG

URC Hong Kong Co. Ltd.
Units C&D, 18/F, Montery Plaza,
15 Chong Yip Street, Kwun Tong,
Kowloon, Hong Kong
T: 852-27171478

INDONESIA

PT URC Indonesia Head Office/ Factory
Jl. Sulawesi Blok M-27
MM2100 Industrial Town,
Cikarang Barat, Bekasi 17530
Indonesia
T: 6221-899 82585
F: 6221-8998 1625

PT URC Indonesia Marketing & Sales Office
Menara Hijau, Floor. 6,
Jl MT Haryono Kav. 33,
Jakarta 12770 Indonesia
T: 6221-7919 2009
F: 6221-798 5875

MALAYSIA - KL

URC Snack Foods (Malaysia) Sdn Bhd-Marketing & Sales Office
No.1 Jalan Jurunilai U1/20,
Seksyen U1 Hicom
Glenmarie Industrial Park
40150 Shah Alam, Selangor Darul Ehsan
T: 603-55695855
603-55694561 to 63
F: 603-55691775
603-55695993

MALAYSIA - JB

URC Snack Foods (Malaysia) Sdn Bhd-Head Office/Factory
PLO 370 Jalan Perak Tiga,
Kawasan Perindustrian, Pasir Gudang,
81700 Pasir Gudang,
Johor Bahru, Malaysia
T: 607-2513199
607-2510948
F: 607-2513398
607-2529819

MYANMAR

URC Myanmar Co., Ltd
Plot No.B-6 and B-7,
Mingaladon Industrial Park,
Mingaladon Township, Yangon Region,
The Republic of the Union of Myanmar
T: (+95)-1 – 639102-5

OCEANIA

Griffin's Food Company
Building C, Level 2, Millennium Centre,
600 Great South Road, Ellerslie
PO Box 9129, Newmarket 1149

Snack Brands Australia
Building E, Level 3, 24-32
Lexington Drive, Bella Vista,
New South Wales 2153
Australia
T: (+61)-2-88870888
F: (+61)-2-88870800

SINGAPORE

URC Foods (Singapore) Pte Ltd.
168 Tagore Lane, Singapore 787574
T: 65-65520314
F: 65-65520127

THAILAND

URC (Thailand) Co., Ltd. Head Office 44,46 Rajpattana Road,
Khwang Sapansung, Khet Sapansung,
Bangkok, 10240 Thailand
T: 662-5174800
F: 662-5171616

URC (Thailand) Co., Ltd Thailand Factory
Samutsakorn Industrial Estate,
1/123, MU 2, Sub-District Thasai
Samutsakorn 74000
T: 6634-490031
T: 6634-4490194

VIETNAM

URC Viet Nam Co. Ltd. Head Office/ Factory
No. 42, VSIP Tu Do Boulevard,
Vietnam Singapore Industrial Park,
An Phu District, Thuan An Town,
Binh Duong Province, Vietnam
T: 84-650-3767010 to 16
F: 84-650-3767025

URC Viet Nam Co. Ltd. Liason Office
9th Floor, CT Plaza, No.60A
Truong Son Street, Ward 2,
Tan Binh District,
Ho Chi Minh City, Vietnam
T: 848-62969676
848-62969730,
848-62969746 to 47
F: 848-62969675
848-62969935

Financial Statements

Statement of Management Responsibity for Consolidated Financial Statements

Universal Robina

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Universal Robina Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the year ended December 31, 2017, three-month period ended December 31, 2016 and the year ended September 30, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the stockholders, have audited the consolidated financial statements in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

JAMES L. GO Chairman	LANCE Y. GOKONGWEI President and Chief Executive Officer	FRANCISCO M. DEL MUNDO Chief Financial Officer

APR 24 2018

SUBSCRIBED AND SWORN to before me this ____ day of April, 2018 affiant(s) exhibiting to me the following documents as follows:

NAMES	DOCUMENT TYPE	DOCUMENT NUMBER	DATE OF ISSUE	PLACE OF ISSUE
James L. Go	CTC	7809719	01.16.18	Pasig City
Lance Y. Gokongwei	CTC	7809720	[illegible]6.18	Pasig City
Francisco M. Del Mundo	Passport	EC6738704	02.[illegible]	Manila

ATTY. EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS & SAN JUAN
UNTIL DECEMBER 31, 2018
PTR NO. 3826099/01-03-2018
IBP No. 019004/12-19-2017/UNTIL 2018
ROLL NO. 26683
TIN NO. 210-588-191-000
MCLE V-0004493
2nd FLOOR ARMAL BLDG. URBANO
VELASCO AVE. MALINAO, PASIG CITY

Doc No. 91
Page No. 20
Book No. CXLVI
Series of 18

TERA Tower, Bridgetowne, E. Rodriguez Jr. Avenue, (C5 Road), Ugong Norte, Quezon City, Metro Manila, Philippines 1110. Telephone No. +632.516.9888

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Universal Robina Corporation

Opinion

We have audited the consolidated financial statements of Universal Robina Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at
December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2017, the period October 1, 2016 to December 31, 2016 and the year ended September 30, 2016, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017, the period October 1, 2016 to December 31, 2016 and the year ended September 30, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter below was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill and Intangible Assets

Under PFRSs, the Group is required to annually test the amount of goodwill and intangible assets with indefinite useful lives for impairment. As of December 31, 2017, the Group's goodwill attributable to Consolidated Snacks, Pty. Ltd. and Griffin's Foods Limited amounted to ₱30.4 billion, and goodwill attributable to other acquired entities amounted to ₱0.8 billion. As of December 31, 2017, the Group's intangible assets with indefinite useful lives pertaining to trademarks amounted to ₱9.4 billion, and intangible assets pertaining to product formulation with indefinite useful life amounted to ₱0.4 billion. These items are significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, gross margin/profit, operating margin, capital expenditures, discount rate and the long-term growth rate.

The Group's disclosures about goodwill and intangible assets are included in Note 15 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, gross margin/profit, operating margin, capital expenditures, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2017 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aris C. Malantic.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621284, January 9, 2018, Makati City

April 10, 2018

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱14,497,517,791**	₱15,347,701,920
Financial assets at fair value through profit or loss (Note 8)	**455,577,705**	384,553,269
Receivables (Note 10)	**16,116,493,339**	14,853,703,708
Inventories (Note 11)	**18,465,363,440**	18,600,730,912
Biological assets (Note 14)	**1,180,266,509**	920,226,312
Other current assets (Note 12)	**2,987,386,097**	2,125,128,600
	53,702,604,881	52,232,044,721
Noncurrent Assets		
Property, plant and equipment (Note 13)	**48,254,128,303**	45,007,417,749
Biological assets (Note 14)	**498,309,880**	463,152,936
Goodwill (Note 15)	**31,212,075,404**	31,212,075,404
Intangible assets (Note 15)	**11,810,036,032**	11,903,604,901
Investments in joint ventures (Note 16)	**552,226,288**	301,582,059
Deferred tax assets (Note 32)	**216,916,334**	366,864,809
Other noncurrent assets (Note 17)	**1,394,502,377**	1,178,664,341
	93,938,194,618	90,433,362,199
TOTAL ASSETS	**₱147,640,799,499**	₱142,665,406,920

	December 31	
	2017	2016
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 19)	**₱21,571,118,556**	₱19,981,912,368
Short-term debts (Notes 18 and 22)	**2,009,317,911**	1,431,890,655
Trust receipts payable (Notes 11 and 22)	**3,155,187,680**	4,554,101,456
Income tax payable	**1,263,938,251**	2,137,270,937
	27,999,562,398	28,105,175,416
Noncurrent Liabilities		
Long-term debts (Notes 20 and 22)	**33,225,962,388**	31,366,592,785
Deferred tax liabilities (Note 32)	**4,261,515,625**	4,036,341,411
Other noncurrent liabilities (Note 21)	**467,746,491**	308,042,555
	37,955,224,504	35,710,976,751
	65,954,786,902	63,816,152,167
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 22)	**23,083,782,043**	23,083,782,043
Retained earnings (Note 22)	**63,243,842,044**	59,298,871,235
Other comprehensive income (Note 23)	**492,151,622**	1,867,734,216
Equity reserve (Note 22)	**(5,075,466,405)**	(5,075,466,405)
Treasury shares (Note 22)	**(341,137,179)**	(341,137,179)
	81,403,172,125	78,833,783,910
Equity attributable to non-controlling interest (Notes 16 and 22)	**282,840,472**	15,470,843
	81,686,012,597	78,849,254,753
TOTAL LIABILITIES AND EQUITY	**₱147,640,799,499**	₱142,665,406,920

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	December 31, 2017 (One Year)	December 31, 2016 (Three Months - Note 2)	September 30, 2016 (One Year)
SALE OF GOODS AND SERVICES (Notes 24 and 34)	**₱125,007,824,013**	₱30,940,237,745	₱111,631,792,704
COST OF SALES (Notes 24 and 34)	**85,693,355,234**	21,143,380,393	75,090,958,927
GROSS PROFIT	**39,314,468,779**	9,796,857,352	36,540,833,777
Selling and distribution costs (Note 25)	**(19,250,876,212)**	(4,541,783,127)	(15,828,046,092)
General and administrative expenses (Note 26)	**(5,111,425,807)**	(1,169,103,846)	(3,902,174,623)
OPERATING INCOME	**14,952,166,760**	4,085,970,379	16,810,613,062
Finance costs (Note 30)	**(1,427,329,826)**	(338,591,320)	(897,220,964)
Equity in net losses of joint ventures (Note 16)	**(280,533,323)**	(49,411,584)	(233,998,864)
Finance revenue (Note 29)	**225,582,853**	49,947,558	213,044,427
Net foreign exchange gains (losses)	**154,190,672**	(433,863,058)	1,877,597,478
Market valuation gain (loss) on financial assets and liabilities at fair value through profit or loss – net (Note 8)	**71,016,151**	(4,514,684)	855,084,609
Provision for credit and impairment losses (Notes 10 and 11)	**(21,423,202)**	(2,773,188)	(181,097,068)
Other income (loss) - net (Notes 13, 17 and 20)	**276,737,549**	(89,650,692)	353,482,305
INCOME BEFORE INCOME TAX	**13,950,407,634**	3,217,113,411	18,797,504,985
PROVISION FOR INCOME TAX (Note 32)	**2,797,486,301**	767,495,099	3,441,533,005
NET INCOME	**₱11,152,921,333**	₱2,449,618,312	₱15,355,971,980
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 33)	**₱10,888,080,693**	₱2,402,116,084	₱15,140,452,205
Non-controlling interests (Note 16)	**264,840,640**	47,502,228	215,519,775
	₱11,152,921,333	₱2,449,618,312	₱15,355,971,980
EARNINGS PER SHARE (Note 33)			
Basic/diluted, for income attributable to equity holders of the parent	**₱4.94**	₱1.09	₱6.94

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	December 31, 2017 (One Year)	December 31, 2016 (Three Months - Note 2)	September 30, 2016 (One Year)
NET INCOME	**₱11,152,921,333**	₱2,449,618,312	₱15,355,971,980
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments (Note 23)	**(1,392,324,892)**	1,200,565,078	(2,759,505,648)
Unrealized gain (loss) on cash flow hedge (Note 9)	**(11,359,659)**	19,196,810	1,549,023
Unrealized gain on available-for-sale financial assets (Notes 17 and 23)	**2,950,000**	1,200,000	950,000
	(1,400,734,551)	1,220,961,888	(2,757,006,625)
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans (Notes 23 and 31)	**39,544,208**	192,095,316	(79,300,531)
Income tax effect	**(11,863,262)**	(57,628,595)	23,790,159
	27,680,946	134,466,721	(55,510,372)
OTHER COMPREHENSIVE INCOME (LOSS)	**(1,373,053,605)**	1,355,428,609	(2,812,516,997)
TOTAL COMPREHENSIVE INCOME	**₱9,779,867,728**	₱3,805,046,921	₱12,543,454,983
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱9,512,498,099**	₱3,757,544,693	₱12,326,687,692
Non-controlling interests	**267,369,629**	47,502,228	216,767,291
	₱9,779,867,728	₱3,805,046,921	₱12,543,454,983

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent																
	Paid-up Capital (Note 22)			Retained Earnings (Note 22)				Other Comprehensive Income (Loss) (Note 23)									
								Items to be reclassified to profit or loss in subsequent periods				Item not to be reclassified to profit or loss in subsequent periods					
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Equity Reserve (Note 22)	Cumulative Translation Adjustments	Net Unrealized Gain on Available-For-Sale Investment (Note 17)	Unrealized Gain (Loss) on Cash Flow Hedge (Note 9)	Total	Remeasurement Losses on Defined Benefit Plans	Total Other Comprehensive Income (Loss)	Treasury Shares (Note 22)	Total	Attributable to Non-controlling Interest (Notes 16 and 22)	Total Equity
Balances as at January 1, 2017	**₱2,227,638,933**	**₱20,856,143,110**	**₱23,083,782,043**	**₱56,298,871,235**	**₱3,000,000,000**	**₱59,298,871,235**	**(₱5,075,466,405)**	**₱2,242,967,597**	**₱21,310,000**	**₱19,296,332**	**₱2,283,573,929**	**(₱415,839,713)**	**₱1,867,734,216**	**(₱341,137,179)**	**₱78,833,783,910**	**₱15,470,843**	**₱78,849,254,753**
Net income for the year	–	–	–	**10,888,080,693**	–	**10,888,080,693**	–	–	–	–	–	–	–	–	**10,888,080,693**	**264,840,640**	**11,152,921,333**
Other comprehensive income (loss)	–	–	–	–	–	–	–	**(1,392,324,892)**	**2,950,000**	**(11,359,659)**	**(1,400,734,551)**	**25,151,957**	**(1,375,582,594)**	–	**(1,375,582,594)**	**2,528,989**	**(1,373,053,605)**
Total comprehensive income	–	–	–	**10,888,080,693**	–	**10,888,080,693**	–	**(1,392,324,892)**	**2,950,000**	**(11,359,659)**	**(1,400,734,551)**	**25,151,957**	**(1,375,582,594)**	–	**9,512,498,099**	**267,369,629**	**9,779,867,728**
Cash dividends (Note 22)	–	–	–	**(6,943,109,884)**	–	**(6,943,109,884)**	–	–	–	–	–	–	–	–	**(6,943,109,884)**	–	**(6,943,109,884)**
Appropriation of retained earnings (Note 22)	–	–	–	**(1,500,000,000)**	**1,500,000,000**	–	–	–	–	–	–	–	–	–	–	–	–
Balances as at December 31, 2017	**₱2,227,638,933**	**₱20,856,143,110**	**₱23,083,782,043**	**₱58,743,842,044**	**₱4,500,000,000**	**₱63,243,842,044**	**(₱5,075,466,405)**	**₱850,642,705**	**₱24,260,000**	**₱7,936,673**	**₱882,839,378**	**(₱390,687,756)**	**₱492,151,622**	**(₱341,137,179)**	**₱81,403,172,125**	**₱282,840,472**	**₱81,686,012,597**
Balances as at October 1, 2016	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱53,896,755,151	₱3,000,000,000	₱56,896,755,151	(₱5,075,466,405)	₱1,042,402,519	₱20,110,000	₱99,522	₱1,062,612,041	(₱550,306,434)	₱512,305,607	(₱341,137,179)	₱75,076,239,217	₱195,818,615	₱75,272,057,832
Net income for the period	–	–	–	2,402,116,084	–	2,402,116,084	–	–	–	–	–	–	–	–	2,402,116,084	47,502,228	2,449,618,312
Other comprehensive income (loss)	–	–	–	–	–	–	–	1,200,565,078	1,200,000	19,196,810	1,220,961,888	134,466,721	1,355,428,609	–	1,355,428,609	–	1,355,428,609
Total comprehensive income	–	–	–	2,402,116,084	–	2,402,116,084	–	1,200,565,078	1,200,000	19,196,810	1,220,961,888	134,466,721	1,355,428,609	–	3,757,544,693	47,502,228	3,805,046,921
Cash dividends (Note 22)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(227,850,000)	(227,850,000)
Balances as at December 31, 2016	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱56,298,871,235	₱3,000,000,000	₱59,298,871,235	(₱5,075,466,405)	₱2,242,967,597	₱21,310,000	₱19,296,332	₱2,283,573,929	(₱415,839,713)	₱1,867,734,216	(₱341,137,179)	₱78,833,783,910	₱15,470,843	₱78,849,254,753
Balances as at October 1, 2015	₱2,227,638,933	₱16,829,046,318	₱19,056,685,251	₱46,628,034,035	₱2,000,000,000	₱48,628,034,035	(₱5,075,466,405)	₱3,801,908,167	₱19,160,000	(₱1,449,501)	₱3,819,618,666	(₱493,548,546)	₱3,326,070,120	(₱670,386,034)	₱65,264,936,967	₱94,691,324	₱65,359,628,291
Net income for the year	–	–	–	15,140,452,205	–	15,140,452,205	–	–	–		–	–	–	–	15,140,452,205	215,519,775	15,355,971,980
Other comprehensive income (loss)	–	–	–	–	–	–	–	(2,759,505,648)	950,000	1,549,023	(2,757,006,625)	(56,757,888)	(2,813,764,513)	–	(2,813,764,513)	1,247,516	(2,812,516,997)
Total comprehensive income	–	–	–	15,140,452,205	–	15,140,452,205	–	(2,759,505,648)	950,000	1,549,023	(2,757,006,625)	(56,757,888)	(2,813,764,513)	–	12,326,687,692	216,767,291	12,543,454,983
Cash dividends (Note 22)	–	–	–	(6,871,731,089)	–	(6,871,731,089)	–	–	–	–	–		–	–	(6,871,731,089)	(115,640,000)	(6,987,371,089)
Reissuance of treasury shares (Note 22)	–	4,027,096,792	4,027,096,792	–	–	–	–	–	–	–	–	–	–	329,248,855	4,356,345,647	–	4,356,345,647
Appropriation of retained earnings (Note 22)	–	–	–	(2,000,000,000)	2,000,000,000	–	–	–	–	–	–	–	–	–	–	–	–
Reversal of previous appropriations (Note 22)	–	–	–	1,000,000,000	(1,000,000,000)	–	–	–	–	–	–	–	–	–	–	–	–
Balances as at September 30, 2016	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱53,896,755,151	₱3,000,000,000	₱56,896,755,151	(₱5,075,466,405)	₱1,042,402,519	₱20,110,000	₱99,522	₱1,062,612,041	(₱550,306,434)	₱512,305,607	(₱341,137,179)	₱75,076,239,217	₱195,818,615	₱75,272,057,832

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2017 (One Year)	December 31, 2016 (Three Months - Note 2)	September 30, 2016 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱13,950,407,634**	₱3,217,113,411	₱18,797,504,985
Adjustments for:			
Depreciation and amortization (Note 27)	**6,104,063,359**	1,506,918,564	5,469,500,328
Finance costs (Note 30)	**1,427,329,826**	338,591,320	897,220,964
Equity in net loss of joint ventures (Note 16)	**280,533,323**	49,411,584	233,998,864
Gain on sale/disposals of property, plant and equipment (Note 13)	**(239,361,566)**	(1,444,132)	(571,706,834)
Finance revenue (Note 29)	**(225,582,853)**	(49,947,558)	(213,044,427)
Net foreign exchange losses (gains)	**(154,190,672)**	433,863,058	(1,877,597,478)
Loss (gain) arising from changes in fair value less estimated costs to sell of biological assets (Note 14)	**(118,841,072)**	104,648,602	60,797,768
Market valuation loss (gain) on financial assets at fair value through profit or loss (Note 8)	**(71,016,151)**	4,514,684	(855,084,609)
Provision for credit and impairment losses (Notes 10 and 11)	**21,423,202**	2,773,188	181,097,068
Unamortized debt issue costs recognized as expense on pretermination of long-term debt (Note 20)	**–**	–	136,324,048
Operating income before working capital changes	**20,974,765,030**	5,606,442,721	22,259,010,677
Decrease (increase) in:			
Receivables	**(933,282,952)**	(681,674,910)	
Inventories	**185,447,755**	(138,455,495)	(1,872,178,321)
Biological assets	**(262,992,645)**	6,113,503	(54,093,013)
Other current assets	**(874,122,137)**	(104,245,020)	(164,259,674)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**1,090,362,231**	1,663,345,144	1,925,717,580
Trust receipts payable	**(1,390,608,195)**	(144,187,482)	(59,570,221)
Net cash generated from operations	**18,789,569,087**	6,207,338,461	21,072,272,115
Income taxes paid	**(3,458,322,291)**	(237,863,655)	(3,562,763,414)
Interest paid	**(1,308,340,934)**	(317,125,531)	(1,014,591,752)
Interest received	**230,671,556**	9,377,116	224,158,078
Net cash provided by operating activities	**14,253,577,418**	5,661,726,391	16,719,075,027

(Forward)

	December 31, 2017 (One Year)	December 31, 2016 (Three Months - Note 2)	September 30, 2016 (One Year)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 13)	**(₱8,129,671,952)**	(₱2,132,474,840)	(₱6,491,544,182)
Intangible assets (Note 15)	**(4,475,330)**	(12,651,126)	(23,318,492)
Derivatives designated as accounting hedge (Note 9)	**–**	(7,470,393)	–
Financial assets at fair value through profit or loss	**(8,285)**	–	–
Investments in joint ventures (Note 16)	**(349,776,367)**	(5,000,000)	(103,250,000)
Subsidiary, net of cash acquired (Note 15)	**–**	–	(21,159,258,285)
Assets that qualified as a business (Note 15)	**–**	–	(1,600,000,000)
Proceeds from:			
Sale/disposals of:			
Property, plant and equipment	**269,369,636**	5,962,080	275,404,268
Financial assets at fair value through profit or loss	**–**	–	394,838
Settlement of derivatives (Note 9)	**4,595,140**	–	714,542,218
Decrease (increase) in other noncurrent assets	**(216,545,822)**	106,550,609	(397,515,947)
Dividends received (Note 16)	**18,500,000**	–	17,499,995
Net cash used in investing activities	**(8,408,012,980)**	(2,045,083,670)	(28,767,045,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of:			
Short-term debts (Note 18)	**(3,850,000,000)**	(4,438,588,016)	(2,000,000,000)
Long-term debts (Notes 15 and 20)	**–**	–	(10,107,540,087)
Proceeds from reissuance of treasury shares (Note 22)	**–**	–	4,383,564,426
Proceeds from availments of:			
Short-term debts	**4,284,475,807**	–	7,006,538,203
Long-term debt	**–**	–	17,565,382,546
Cash dividends paid (Note 22)	**(7,170,959,884)**	–	(6,987,371,089)
Increase in other noncurrent liabilities	**40,735,510**	50,620,673	8,043,662
Net cash provided by (used in) financing activities	**(6,695,748,567)**	(4,387,967,343)	9,868,617,661
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(850,184,129)**	(771,324,622)	(2,179,352,899)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**15,347,701,920**	16,119,026,542	18,298,379,441
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱14,497,517,791**	₱15,347,701,920	₱16,119,026,542

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Universal Robina Corporation (hereinafter referred to as "the Parent Company" or "URC") was incorporated on September 28, 1954 and domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. On October 28, 2002, the Parent Company's corporate life was extended for another 50 years or until September 28, 2054. The registered office address of the Parent Company is at 8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

The Parent Company is a majority owned subsidiary of JGSHI ("the Ultimate Parent Company" or "JGSHI").

The Parent Company and its subsidiaries (hereinafter referred to as "the Group") is one of the largest branded food products companies in the Philippines and has a strong presence in ASEAN markets. The Group is involved in a wide range of food-related businesses which are organized into three (3) business segments: (a) the branded consumer food segment which manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packed cakes, beverages, instant noodles and pasta, and tomato-based products; (b) the agro-industrial segment which engages in hog and poultry farming, production and distribution of animal health products and manufacture and distribution of animal feeds, glucose and soya bean products; and (c) the commodity food segment which engages in sugar milling and refining, flour milling and pasta manufacturing and renewable energy development. The Parent Company also engages in consumer product-related packaging business through its packaging divisions which manufacture bi-axially oriented polypropylene (BOPP) film and Flexible Packaging Division, which manufactures polyethylene terephthalate (PET) bottles and printed flexible packaging materials. The Parent Company's packaging business is included in the branded consumer food segment.

On April 29, 2016, the Board of Directors (BOD) approved the Parent Company's change in accounting period from "Fiscal Year which begins on the first day of October and ends on the last day of September of the following year" to "Calendar Year which shall begin on the first day of January and end on the last day of December of the same year" to be implemented effective January 1, 2017. The Parent Company filed its amended by-laws with the Philippine Securities and Exchange Commission (SEC) in connection with the change in accounting period, which was approved by the Philippine SEC on June 20, 2016 (see Note 2). The Parent Company, likewise, filed the request for change in accounting period with the Bureau of Internal Revenue (BIR), which was approved by the BIR on December 5, 2016.

On January 15, 2016 and March 9, 2016, the BOD and the Stockholders of the Parent Company, respectively, approved the amendment to the Articles of Incorporation (AOI) of the Parent Company to change the principal office address of the Parent Company from 110 E. Rodriguez Avenue, Bagumbayan, Quezon City, Metro Manila to 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila. On May 16, 2016, the Philippine SEC approved the amendment to the principal office address.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of three (3) years to seven (7) years from respective start dates of commercial operations (see Note 35).

The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

The principal activities of the Group are further described in Note 6.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) financial assets and derivative financial instruments that have been measured at fair value, inventories that have been measured at lower of cost or net realizable value (NRV) and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. All values are rounded to the nearest peso except when otherwise stated.

The functional currencies of the Group's consolidated foreign subsidiaries follow:

Subsidiaries	Country of Incorporation	Functional Currency
URC Asean Brands Co. Ltd. (UABCL)	British Virgin Islands	US Dollar -
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
URC Oceania Co. Ltd. (URC Oceania)	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
Shantou Peggy Co. Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd.	Malaysia	Malaysian Ringgit

Subsidiaries	Country of Incorporation	Functional Currency
Ricellent Sdn. Bhd.	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Network Pte. Ltd.	- do -	- do -
Acesfood Holdings Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Distributors Pte. Ltd.	- do -	- do -
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -
	Country of	Functional
URC New Zealand Holding Co. Ltd. (URC NZ HoldCo)	New Zealand	New Zealand Dollar
URC New Zealand Finance Co. Ltd. (URC NZ FinCo)	- do -	- do -
Griffin's Food Limited (Griffin's)	- do -	- do -
Nice and Natural Limited	- do -	- do -
URC Australia Holding Company Ltd. (URC AU HoldCo)	Australia	Australian Dollar
URC Australia Finance Company Ltd. (URC AU FinCo)	- do -	- do -
Consolidated Snacks Pty Ltd. (CSPL)	- do -	- do -
Snack Brands Australia Partnership	- do -	- do -

The consolidated financial statements as at December 31, 2016 and for the period October 1 to December 31, 2016 were prepared because of the change in the Group's accounting period (see Note 1).

The amounts presented for the period October 1 to December 31, 2016 in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows and the related notes are for the three months, and accordingly, are not comparable to the calendar year ended December 31, 2017 and fiscal year ended September 30, 2016.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned subsidiaries as of December 31, 2017 and 2016.

Subsidiaries	Principal place of business Incorporation	Effective Percentages of Ownership
CFC Clubhouse Property, Inc. (CCPI)	Philippines	100.00
CFC Corporation	- do -	100.00
Bio-Resource Power Generation Corporation and a Subsidiary (BRPGC)	- do -	100.00
Nissin - URC (NURC)	- do -	51.00
URCPL	British Virgin Islands	100.00
URCICL and Subsidiaries*	- do -	100.00
URCL	Cayman Islands	100.00
URCCCL	China	100.00

* *Subsidiaries are located in Thailand, Singapore, Malaysia, Vietnam, Indonesia, China, Hong Kong, Myanmar, New Zealand and Australia.*

Acquisition of CSPL

In September 2016, URCICL, through URC Oceania, its wholly-owned subsidiary, acquired 100% equity interest in CSPL, which trades under the company name Snack Brands Australia (SBA), one of the leading snack food companies in Australia. URC AU HoldCo and URC AU FinCo were also incorporated as subsidiaries of URCICL through URC Oceania (see Note 15).

Additional Subscription of URCICL Unissued Capital Stock

In September 2016, the Parent Company made an additional subscription to the unissued authorized capital stock of URCICL for a total cost of ₱4.4 billion.

Merger of CCPI

On March 10, 2015 and May 27, 2015, the BOD and stockholders of the Parent Company, respectively, approved the plan to merge CCPI with the Parent Company. On April 25, 2017 and June 28, 2017, the BOD and stockholders of the Parent Company, approved the revised Plan of Merger and Articles of Merger between the Company and the Parent Company. As of December 31, 2017, the SEC has yet to approve the merger.

Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Parent Company gains control until the date it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.
Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Some of the Group's subsidiaries have a local statutory accounting reference date of September 30. These are consolidated using management prepared information on a basis coterminous with the Group's accounting reference date.

Below are the subsidiaries with a different accounting reference date from that of the Parent Company:

Subsidiaries	Year-end
Bio-resource Power Generation Corporation	September 30
CFC Clubhouse Property, Inc.	-do-
Southern Negros Development Corporation	-do-

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. This policy also covers purchase of assets that constitutes acquisition of a business. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss in the consolidated statement of income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year. If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

Combinations of Entities Under Common Control
Business combinations of entities under common control are accounted for following the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected as "Equity Reserves" within equity.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

Goodwill
Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in profit or loss in the consolidated statement of comprehensive income as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations which are effective for the Group beginning January 1, 2017. The adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 37 to the consolidated financial statements. As allowed under the transition provision of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of amendments.

Significant Accounting Policies

Fair Value Measurement
For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement, and that are subject to insignificant risk of changes in value.

Recognition of Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value. Except for financial instruments valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables or as derivatives designated as hedging instruments in effective hedge, as appropriate. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2017 and 2016, the Group has no HTM investments and financial liabilities at FVPL.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss in the consolidated statement of income. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, derivative financial instruments, or those designated upon initial recognition at FVPL when any of the following criteria are met:

1. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.
2. Derivatives, including separate embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge
3. Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

    - the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
    - the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
    - the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are reflected in profit or loss in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other operating income according to the terms of the contract, or when the right of the payment has been established.

The Group's financial assets at FVPL consist of equity securities and derivative financial instruments (see Note 8).

Derivatives classified as FVPL
The Group uses derivative financial instruments such as currency forwards and currency options to hedge the risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of the Group's derivative instruments are calculated using certain standard valuation methodologies.

Derivatives designated as accounting hedges
For the purpose of hedge accounting, hedges are classified primarily as either: (a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge); or (c) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow or net investment hedge provided certain criteria are met.

Hedge accounting
At the inception of a hedging relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge
Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the profit or loss. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as 'Unrealized gains (losses) on cash flow hedge' in other comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in other comprehensive income is eventually recycled in profit or loss.

Hedge effectiveness testing
To qualify for hedge accounting, the Group is required that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis.
The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Group adopts for assessing

hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80 to 125 percent. Any hedge ineffectiveness is recognized in profit or loss.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Current versus noncurrent classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract. Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. The amortization is included under 'Finance revenue' in the consolidated statement of income. Gains and losses are recognized in profit or loss in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents and receivables (see Notes 7 and 10).

AFS financial assets
AFS financial assets are those nonderivative investments which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, held-to-maturity investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported under the 'Unrealized gain on AFS financial assets' section of the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in profit or loss in the consolidated statement of income. Interest earned on holding AFS financial assets are reported as interest income using the EIR method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis.

Dividends earned on holding AFS financial assets are recognized in the consolidated statement of income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized under 'Provision for Credit and impairment losses' in the consolidated statement of income.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable debt issuance costs. Debt issuance costs are amortized using the EIR method and unamortized debt issuance costs are offset against the related carrying value of the loan in the consolidated statement of financial position.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

When a loan is paid, the related unamortized debt issuance costs at the date of repayment are charged against current operations. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized or impaired, as well as through the amortization process.

This accounting policy applies primarily to the Group's short-term (see Note 18) and long-term debts (see Note 20), accounts payable and other accrued liabilities (see Note 19) and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities or income tax payable).

Debt Issuance Costs

Debt issuance costs are amortized using EIR method and unamortized debt issuance costs are included in the measurement of the related carrying value of the loan in the consolidated statement of financial position. When the loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged to the consolidated statement of income.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Reclassification of Financial Assets

A financial asset is reclassified out of the FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the ability and intention to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset to maturity.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the consolidated statement of income as 'Provision for credit and impairment losses'. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of its trade and other receivables, designed to identify receivables with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group (see Note 10).

AFS financial assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is significant and prolonged is subject to judgment. 'Significant' is to be evaluated against the original cost of the investment and 'Prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% and 'prolonged' as greater than 12 months for quoted equity instruments. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly as part of other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded under interest income in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed in the consolidated statement of income.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

<u>Derecognition of Financial Instruments</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership and retained control of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories, including goods-in-process, are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs.

When the inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales' in profit or loss in the consolidated statement of income in the period when the related revenue is recognized.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Finished goods, goods-in-process, raw materials, containers and packaging materials
Cost is determined using the weighted average method. Finished goods and goods-in-process include direct materials and labor, and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Materials in-transit
Cost is determined using the specific identification basis.

Spare parts and supplies
Cost is determined using the weighted average method.

Biological Assets
The biological assets of the Group are divided into two major categories with sub-categories as follows:

Swine livestock	- Breeders (livestock bearer)
	- Sucklings (breeders' offspring)
	- Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners)
	- Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat)
Poultry livestock	- Breeders (livestock bearer)
	- Chicks (breeders' offspring intended to be sold as breeders)

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell, except for a biological asset where fair value is not clearly determinable. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers and meats, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

Property, Plant and Equipment
Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and impairment losses, if any.

The initial cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation relating to property, plant and equipment installed/constructed on leased properties, if any, for the corresponding liability.

Land is stated at cost less any impairment in value.

Subsequent costs are capitalized as part of the 'Property, plant and equipment' in the consolidated statement of financial position, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost of repairs and maintenance are expensed when incurred.

Foreign exchange differentials arising from foreign currency borrowings used for the acquisition of property, plant and equipment are capitalized to the extent that these are regarded as adjustments to interest costs.

Depreciation and amortization of property, plant and equipment commence once the property, plant and equipment are available for use and are computed using the straight-line method over the estimated useful life (EUL) of the assets regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

	Years
Land improvements	5 to 10
Buildings and improvements	10 to 30
Machinery and equipment	10
Transportation equipment	5
Furniture, fixtures and equipment	5

Leasehold improvements are amortized over the shorter of their EUL or the corresponding lease terms.

The residual values, useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed periodically and adjusted, if appropriate, at each reporting date to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction-in-progress is stated at cost. This includes the cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Construction in-progress are transferred to the related 'Property, plant and equipment' in the consolidated statement of financial position when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income, in the period the item is derecognized.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment loss, if any. Land is carried at cost less any impairment loss, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the cost of day-to-day servicing of an investment property.

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in, which case, the investment property acquired is measured at the carrying amount of asset given up.

The Group's investment properties consists solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years (see Note 17).

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic useful benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or by the end of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, plant and equipment account up to the date of change in use.

Goodwill
Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see further discussion under Impairment of nonfinancial assets).

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets
Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The EUL of intangible assets are assessed to be either finite or indefinite.

The useful lives of intangible assets with a finite life are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight line basis over the asset's EUL and assessed for impairment, whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level (see further discussion under Impairment of nonfinancial assets). Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follows:

	EUL	Amortization method used	Internally generated or acquired
Product Formulation	Indefinite	No amortization	Acquired
Trademarks/Brands	Indefinite	No amortization	Acquired
Trademarks	Finite (4 years)	Straight line amortization	Acquired
Software Costs	Finite (10 years)	Straight line amortization	Acquired
Customer Relationship	Finite (35 years)	Straight line amortization	Acquired

Investment in Joint Ventures

The Group has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties who have joint control over the arrangement have rights to the net assets of the arrangements.

The Group's investment in joint venture is accounted for using the equity method of accounting.
Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture. The consolidated statement of income reflects the Group's share in the results of operations of the joint venture. Where there has been a change recognized directly in the investees' equity, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of changes in equity. Profits and losses arising from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures.

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or joint venture. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and joint venture not recognized during the period the equity method was suspended.

The investee company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's property, plant and equipment (see Note 13), investment properties (see Note 17), investment in joint ventures (see Note 16), goodwill and intangible assets (see Note 15).

Except for goodwill and intangible assets with indefinite useful lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Impairment losses are recognized under 'Provision for credit and impairment losses' in the consolidated statement of income.

The following criteria are also applied in assessing impairment of specific assets:

Property, plant and equipment, investment properties, intangible assets with definite useful lives
For property, plant and equipment, investment properties, intangible assets with definite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment annually as of reporting date either individually or at the cash-generating unit level, as appropriate.

Investments in joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize additional impairment losses on the Group's investments in joint ventures. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the joint ventures and the acquisition cost and recognizes the amount under 'Provision for credit and impairment losses' in the consolidated statement of income.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The Group assess its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods
Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts, prompt payment discounts and volume rebates.

Rendering of tolling services
Revenue derived from tolling activities is recognized as revenue when the related services have been rendered.

Dividend income
Dividend income is recognized when the shareholder's right to receive the payment is established.

Rent income
Rent income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Interest income
Interest income is recognized as it accrues using the EIR method under which interest income is recognized at the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense under 'Finance cost' in the consolidated statement of income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

<u>Borrowing Costs</u>
Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate. Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the EIR method over the term of the loans.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Group as a lessee
A lease is classified at the inception date as finance lease or an operating lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in 'Finance costs' in the consolidated statement of income.

A leased asset is depreciated over the EUL of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the EUL of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when incurred.

Foreign Currency Translation/Transactions
The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
As of reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange prevailing at reporting date and their respective statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as 'Cumulative translation adjustment' under 'Other comprehensive income'. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

Common Stock
Capital stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income (loss), dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. When shares are sold, the treasury share account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Dividends on Common Stocks
Dividends on common shares are recognized as a liability and deducted from equity when approved by BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Earnings Per Share (EPS)
Basic EPS is computed by dividing consolidated net income attributable to equity holders of the Parent Company (consolidated net income less dividends on preferred shares) by the weighted average number of common stocks issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the consolidated net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the consolidated financial statements.

Events after Reporting Date
Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group has assessed that the adoption will not have any impact on the 2018 consolidated financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information. The Group is currently assessing the potential impact of adopting PFRS 9 in 2018.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. The Group is currently assessing the impact of adopting PFRS 15 in 2018.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

  The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, Uncertainty over *Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Determination of fair values less estimated costs to sell of biological assets*

The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

As of December 31, 2017 and 2016, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱1.7 billion and ₱1.4 billion, respectively (see Note 14). For the year ended December 31, 2017, the Group recognized gain arising from changes in the fair value less costs to sell of biological assets amounting to ₱118.8 million. For the three-month period ended December 31, 2016 and for the year ended September 30, 2016, the Group recognized losses from fair value changes of ₱104.6 million and ₱60.8 million, respectively (see Note 14). Changes in fair value of biological assets are recognized in the consolidated statement of income.

b. *Impairment of goodwill and intangible assets with indefinite useful lives*

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 3.40% to 12.67% and 3.43% to 9.97% for the year ended December 31, 2017 and the three-month period ended December 31, 2016, respectively. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is most sensitive to changes in discount rate and growth rate.

As of December 31, 2017 and 2016, the balance of the Group's goodwill and intangible assets with indefinite useful lives, net of accumulated depreciation, amortization and impairment loss follow:

	2017	2016
Goodwill (Note 15)	**₱31,212,075,404**	₱31,212,075,404
Intangible assets (Note 15)	**9,787,936,671**	9,787,936,671

c. *Assessment of impairment of nonfinancial assets*
The Group assesses the impairment of its nonfinancial assets (i.e., property, plant and equipment, investment properties, investment in joint venture and intangible assets with finite useful lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

For the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, the Group did not recognize any impairment losses on its property, plant and equipment (see Note 13), investment properties (Note 17), goodwill and its other intangible assets (see Note 15).

As of December 31, 2017 and 2016, the balances of the Group's nonfinancial assets, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

	2017	2016
Property, plant and equipment (Note 13)	**₱48,254,128,303**	₱45,007,417,749
Intangible assets (Note 15)	**2,022,099,361**	2,115,668,230
Investment in joint ventures (Note 16)	**552,226,288**	301,582,059
Investment properties (Note 17)	**45,288,139**	48,945,925

d. *Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination*
The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

The Group's acquisitions are discussed in Note 15 to the consolidated financial statements.

e. *Estimation of pension and other benefits costs*
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 31). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

As of December 31, 2017 and 2016, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 31 to the consolidated financial statements.

f. Recognition of deferred tax assets

The Group reviews the carrying amounts of its deferred income taxes at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2017 and 2016, the Group recognized net deferred tax assets amounting to ₱216.9 million and ₱366.9 million, respectively (see Note 32), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱4.3 billion and ₱4.0 billion as of December 31, 2017 and 2016, respectively (see Note 32).

As of December 31, 2017 and 2016, the Group has certain subsidiaries which are under ITH. As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 35).

The recognized and unrecognized deferred tax assets for the Group are disclosed in Note 32.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVPL, AFS financial assets, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. One of the Group's subsidiaries is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

The BOD of the Parent Company and its subsidiaries review and approve policies for managing each of these risks and they are summarized below, together with the related risk management structure.

Risk Management Structure

The Group's risk management structure is closely aligned with that of the Ultimate Parent Company. The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

The BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

AC
The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems, and both the internal and external audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. audit activities of internal and external auditors are done based on plan and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management Group (ERMG)
The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

a. recommending risk policies, strategies, principles, framework and limits;
b. managing fundamental risk issues and monitoring of relevant risk decisions;
c. providing support to management in implementing the risk policies and strategies; and
d. developing a risk awareness program.

Corporate Governance Compliance Officer
Compliance with the principles of good corporate governance is also one of the primary objectives of the BOD. To assist the BOD in achieving this purpose, the BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate governance, identifying and monitoring control compliance risks, determining violations and recommending penalties on such infringements for further review and approval of the BOD, among others.

Day-to-day risk management functions
At the business unit or company level, the day-to-day risk management functions are handled by four (4) different groups, namely:

a. Risk-taking personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
b. Risk control and compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
c. Support. This group includes back office personnel who support the line personnel.
d. Risk management. This group pertains to the business unit's Management Committee which makes risk mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework
The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the ERMG in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

a. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
b. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.
c. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
d. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.
e. Risk Response. The Group's BOD, through the oversight role of the ERMG, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
f. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
g. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
h. Monitoring. The ERMG, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk management support groups
The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

a. Corporate Security and Safety Board (CSSB). Under the supervision of ERMG, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
b. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of ERMG, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
c. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
d. Corporate Planning (CORPLAN). The CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of business units.
e. Corporate Insurance Department (CID). The CID is responsible for the administration of the insurance program of business units concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances, as well as, in the procurement of performance bonds.

Risk Management Policies
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks such as foreign currency risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit and Accounts Receivable Monitoring Department (CARMD) of the Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, AFS financial assets and certain derivative financial instruments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

a. Credit risk exposure

   With respect to credit risk arising from financial assets of the Group, which comprise cash and cash equivalents, receivables, financial assets at FVPL and AFS financial assets, the Group's maximum exposure to credit risk is equal to its carrying amount as of December 31, 2017 and 2016, except for the Group's trade receivables as of December 31, 2017 and 2016 with carrying value of ₱1.1 billion and ₱1.3 billion, respectively, and collateral with fair value amounting to ₱42.5 million as of both dates resulting to net exposure of ₱1.0 billion and ₱1.2 billion, respectively.

   The collateral securities related to the Group's trade receivables consist of standby letters of credit. The Group holds no other collateral or guarantee that would reduce the maximum exposure to credit risk.

b. Risk concentrations of the maximum exposure to credit risk

   Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location

The Group's credit risk exposures as of December 31, 2017 and 2016 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

	December 31, 2017						
	Philippines	**Asia**	**New Zealand**	**United States**	**Australia**	**Others**	**Total**
Loans and receivables:							
Cash and cash equivalents* (Note 7)	**₱8,349,277,554**	**₱3,496,585,008**	**₱1,442,324,015**	**₱–**	**₱1,106,004,723**	**₱–**	**₱14,394,191,300**
Receivables (Note 10):							
Trade receivables	**6,214,144,707**	**4,548,383,778**	**1,069,665,700**	**21,092,431**	**1,804,757,697**	**25,609,047**	**13,683,653,360**
Due from related parties	**309,779,040**	**611,414,576**	**–**	**–**	**–**	**475,046,014**	**1,396,239,630**
Advances to officers and employees	**99,243,981**	**15,086,141**	**–**	**–**	**–**	**–**	**114,330,122**
Interest receivable	**42,299,508**	**–**	**–**	**–**	**–**	**–**	**42,299,508**
Non-trade and other receivables	**742,625,821**	**120,874,339**	**16,470,559**	**–**	**–**	**–**	**879,970,719**
Total loans and receivable	**15,757,370,611**	**8,792,343,842**	**2,528,460,274**	**21,092,431**	**2,910,762,420**	**500,655,061**	**30,510,684,639**
Financial assets at FVPL:							
Equity securities (Note 8)	**455,577,705**	**–**	**–**	**–**	**–**	**–**	**455,577,705**
Derivative assets designated as accounting hedge (Note 12)	**–**	**–**	**11,023,146**	**–**	**–**	**–**	**11,023,146**
AFS financial assets:							
Equity securities (Note 17)	**45,980,000**	**–**	**–**	**–**	**–**	**–**	**45,980,000**
	₱16,258,928,316	**₱8,792,343,842**	**₱2,539,483,420**	**₱21,092,431**	**₱2,910,762,420**	**₱500,655,061**	**₱31,023,265,490**

** Excludes cash on hand*

	2016						
	Philippines	Asia	New Zealand	United States	Australia	Others	Total
Loans and receivables:							
Cash and cash equivalents* (Note 7)	₱10,430,413,905	₱3,434,580,824	₱1,201,667,797	₱–	₱157,788,127	₱–	₱15,224,450,653
Receivables (Note 10):							
Trade receivables	5,910,862,957	3,611,283,528	1,290,304,496	15,548,631	1,537,754,387	5,788,705	12,371,542,704
Due from related parties	607,286,379	473,627,143	–	–	–	473,048,024	1,553,961,546
Advances to officers and employees	119,508,626	12,370,453	–	–	–	–	131,879,079
Interest receivable	47,388,211	–	–	–	–	–	47,388,211
Non-trade and other receivables	534,926,847	213,910,555	94,766	–	–	–	748,932,168
Total loans and receivable	17,650,386,925	7,745,772,503	2,492,067,059	15,548,631	1,695,542,514	478,836,729	30,078,154,361
Financial assets at FVPL:							
Equity securities (Note 8)	384,553,269	–	–	–	–	–	384,553,269
Derivative assets designated as accounting hedge (Note 12)	–	–	26,800,472	–	–	–	26,800,472
AFS financial assets:							
Equity securities (Note 17)	43,030,000	–	–	–	–	–	43,030,000
	₱18,077,970,194	₱7,745,772,503	₱2,518,867,531	₱15,548,631	₱1,695,542,514	₱478,836,729	₱30,532,538,102

** Excludes cash on hand*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2017 and 2016 before taking into account any collateral held or other credit enhancements.

	2017						
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Mining	Others*	Total
Loans and receivables:							
Cash and cash equivalents** (Note 7)	₱–	₱14,394,191,300	₱–	₱–	₱–	₱–	₱14,394,191,300
Receivables (Note 10):							
Trade receivables	13,394,985,650	–	–	–	–	288,667,710	13,683,653,360
Due from related parties	585,335,992	39,861,018	–	–	85,135	770,957,485	1,396,239,630
Advances to officers and employees	88,505,126	–	–	–	–	25,824,996	114,330,122
Interest receivable	35,189,797	7,109,711	–	–	–	–	42,299,508
Non-trade and other receivables	534,611,441	30,477,362	12,221,888	19,548,753	–	283,111,275	879,970,719
Total loans and receivables	14,638,628,006	14,471,639,391	12,221,888	19,548,753	85,135	1,368,561,466	30,510,684,639
Financial assets at FVPL:							
Equity securities (Note 8)	–	–	–	–	48,045	455,529,660	455,577,705
Derivative assets designated as accounting hedge (Note 12)	11,023,146	–	–	–	–	–	11,023,146
AFS financial assets:							
Equity securities (Note 17)	–	–	–	–	45,980,000	–	45,980,000
	₱14,649,651,152	₱14,471,639,391	₱12,221,888	₱19,548,753	₱46,113,180	₱1,824,091,126	₱31,023,265,490

**Includes real state, agriculture, automotive, and electrical industries.*
***Excludes cash on hand*

	2016						
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Mining	Others*	Total
Loans and receivables:							
Cash and cash equivalents** (Note 7)	₱–	₱15,224,450,653	₱–	₱–	₱–	₱–	₱15,224,450,653
Receivables (Note 10):							
Trade receivables	12,175,845,288	–	–	–	–	195,697,416	12,371,542,704
Due from related parties	444,065,380	57,349,048	–	–	–	1,052,547,118	1,553,961,546
Advances to officers and employees	100,688,017	–	–	–	–	31,191,062	131,879,079
Interest receivable	35,137,716	12,250,495	–	–	–	–	47,388,211
Non-trade and other receivables	611,960,933	–	–	12,850,497	–	124,120,738	748,932,168
Total loans and receivables	13,367,697,334	15,294,050,196	–	12,850,497	–	1,403,556,334	30,078,154,361
Financial assets at FVPL:							
Equity securities (Note 8)	–	–	–	–	50,722	384,502,547	384,553,269
Derivative assets designated as accounting hedge (Note 12)	26,800,472	–	–	–	–	–	26,800,472
AFS financial assets:							
Equity securities (Note 17)	–	–	–	–	–	43,030,000	43,030,000
	₱13,394,497,806	₱15,294,050,196	₱–	₱12,850,497	₱50,722	₱1,831,088,881	₱30,532,538,102

**Includes real state, agriculture, automotive, and electrical industries.*
***Excludes cash on hand*

c. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of December 31, 2017 and 2016, gross of allowance for credit losses:

	2017				
	Neither Past Due Nor Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Loans and receivables:					
Cash and cash equivalents* (Note 7)	**₱14,394,191,300**	**₱–**	**₱–**	**₱–**	**₱14,394,191,300**
Receivables (Note 10):					
Trade receivables	**11,564,013,104**	**–**	**–**	**2,287,192,070**	**13,851,205,174**
Due from related parties	**1,396,239,630**	**–**	**–**	**–**	**1,396,239,630**
Advances to officers and employees	**12,140,446**	**89,948,384**	**1,253,952**	**30,634,022**	**133,976,804**
Interest receivable	**7,109,711**	**–**	**–**	**35,189,797**	**42,299,508**
Non-trade and other receivables	**458,963,605**	**126,302,166**	**–**	**484,028,642**	**1,069,294,413**
Total loans and receivables	**27,832,657,796**	**216,250,550**	**1,253,952**	**2,837,044,531**	**30,887,206,829**
Financial assets at FVPL (Note 8):					
Equity securities	**455,577,705**	**–**	**–**	**–**	**455,577,705**
Derivative assets designated as accounting hedge (Note 12)	**11,023,146**	**–**	**–**	**–**	**11,023,146**
AFS financial assets:					
Equity securities (Note 17)	**45,980,000**	**–**	**–**	**–**	**45,980,000**
	₱28,345,238,647	**₱216,250,550**	**₱1,253,952**	**₱2,837,044,531**	**₱31,399,787,680**

**Excludes cash on hand*

	2016				
	Neither Past Due Nor Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Loans and receivables:					
Cash and cash equivalents* (Note 7)	₱15,224,450,653	₱–	₱–	₱–	₱15,224,450,653
Receivables (Note 10):					
Trade receivables	10,170,518,470	–	–	2,372,148,660	12,542,667,130
Due from related parties	1,553,961,546	–	–	–	1,553,961,546
Advances to officers and employees	35,492,503	92,481,582	159,577	23,392,099	151,525,761
Interest receivable	47,388,211	–	–	–	47,388,211
Non-trade and other receivables	471,271,452	69,697,255	–	377,014,333	917,983,040
Total loans and receivables	27,503,082,835	162,178,837	159,577	2,772,555,092	30,437,976,341
Financial assets at FVPL (Note 8):					
Equity securities	384,553,269	–	–	–	384,553,269
Derivative assets designated as accounting hedge (Note 12)	26,800,472	–	–	–	26,800,472
AFS financial assets:					
Equity securities (Note 17)	43,030,000	–	–	–	43,030,000
	₱27,957,466,576	₱162,178,837	₱159,577	₱2,772,555,092	₱30,892,360,082

**Excludes cash on hand*

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks, including an affiliated bank, in the Philippines in terms of resources and profitability.

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

d. Aging analysis

An aging analysis of the Group's past due or individually impaired receivables as of December 31, 2017 and 2016 are as follows:

	2017					
	Past Due But Not Impaired				Impaired Financial Assets	Total
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days		
Trade receivables	**₱1,276,951,666**	**₱184,160,218**	**₱43,328,542**	**₱615,199,830**	**₱ 167,551,814**	**₱2,287,192,070**
Advances to officers and employees	**2,209,641**	**385,001**	**1,604,516**	**6,788,182**	**19,646,682**	**30,634,022**
Others	**248,823,866**	**3,790,310**	**3,531,426**	**73,749,143**	**189,323,694**	**519,218,439**
Balances at end of year	**₱1,527,985,173**	**₱188,335,529**	**₱48,464,484**	**₱695,737,155**	**₱376,522,190**	**₱2,837,044,531**

	2016					
	Past Due But Not Impaired				Impaired Financial Assets	Total
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days		
Trade receivables	₱1,296,396,164	₱326,066,743	₱69,782,328	₱508,778,999	₱171,124,426	₱2,372,148,660
Advances to officers and employees	67,558	1,771,559	93,463	1,812,837	19,646,682	23,392,099
Others	5,740,874	3,415,769	10,575,413	188,231,405	169,050,872	377,014,333
Balances at end of year	₱1,302,204,596	₱331,254,071	₱80,451,204	₱698,823,241	₱359,821,980	₱2,772,555,092

e. Impairment assessment

The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include: (a) specific/individual assessment; and (b) collective assessment.

Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crisis; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral.

The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

Liquidity risk

Liquidity risk is the risk of not being able to meet funding obligation such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. It also maintains a portfolio of highly marketable and diverse financial assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2017 and 2016 based on the remaining undiscounted contractual cash flows.

	2017				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents*	**₱4,051,801,978**	**₱10,470,998,574**	**₱–**	**₱–**	**₱14,522,800,552**
Receivables:					
Trade receivables	**2,330,645,279**	**11,520,559,895**	**–**	**–**	**13,851,205,174**
Due from related parties	**1,396,239,630**	**–**	**–**	**–**	**1,396,239,630**
Advances to officers and employees	**33,754,974**	**100,221,830**	**–**	**–**	**133,976,804**
Interest receivable	**35,189,797**	**7,109,711**	**–**	**–**	**42,299,508**
Non-trade and other receivables	**531,896,109**	**526,462,907**	**10,935,397**	**–**	**1,069,294,413**
Total loans and receivables	**8,379,527,767**	**22,625,352,917**	**10,935,397**	**–**	**31,015,816,081**
Financial assets at FVPL					
Equity securities	**455,577,705**	**–**	**–**	**–**	**455,577,705**
Derivative assets designated as accounting hedge	**–**	**–**	**11,023,146**	**–**	**11,023,146**
AFS financial asset:					
Equity securities	**45,980,000**	**–**	**–**	**–**	**45,980,000**
	₱8,881,085,472	**₱22,625,352,917**	**₱21,958,543**	**₱–**	**₱31,528,396,932**

	2017				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses**	**₱7,130,314,295**	**₱13,051,428,395**	**₱419,532,782**	**₱–**	**₱20,601,275,472**
Due to related parties	**106,452,798**	–	–	–	**106,452,798**
Short-term debts*	–	–	**2,010,859,525**	–	**2,010,859,525**
Trust receipts payable*	–	**3,158,622,472**	–	–	**3,158,622,472**
Long-term debts*	–	**277,235,968**	**831,707,904**	**35,707,074,219**	**36,816,018,091**
	₱7,236,767,093	**₱16,487,286,835**	**₱3,262,100,211**	**₱35,707,074,219**	**₱62,693,228,358**

**Includes future interest*
***Excludes statutory liabilities*

	2016				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents*	₱3,414,468,057	₱11,994,788,429	₱–	₱–	₱15,409,256,486
Receivables:					
Trade receivables	1,863,141,488	10,679,525,642	–	–	12,542,667,130
Due from related parties	1,553,961,546	–	–	–	1,553,961,546
Advances to officers and employees	75,942,530	75,583,231	–	–	151,525,761
Interest receivable	–	47,388,211	–	–	47,388,211
Non-trade and other receivables	352,454,563	553,465,743	12,062,734	–	917,983,040
Total loans and receivables	7,259,968,184	23,350,751,256	12,062,734	–	30,622,782,174
Financial assets at FVPL					
Equity securities	384,553,269	–	–	–	384,553,269
Derivative assets designated as accounting hedge	–	–	26,800,472	–	26,800,472
AFS financial asset:					
Equity securities	43,030,000	–	–	–	43,030,000
	₱7,687,551,453	₱23,350,751,256	₱38,863,206	₱–	₱31,077,165,915
Financial Liabilities					
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses**	₱6,325,946,100	₱12,788,151,460	₱200,900,197	₱–	₱19,314,997,757
Due to related parties	75,161,893	–	–	–	75,161,893
Short-term debts*	–	1,434,471,024	–	–	1,434,471,024
Trust receipts payable*	–	4,560,849,337	–	–	4,560,849,337
Long-term debts*	–	173,329,647	1,264,518,560	35,972,977,847	37,410,826,054
	₱6,401,107,993	₱18,956,801,468	₱1,465,418,757	₱35,972,977,847	₱62,796,306,065

**Includes future interest*
***Excludes statutory liabilities*

Market risk
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. For the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, approximately 34.3%, 34.2% and 28.2% of the Group's total sales, respectively, are denominated in currencies other than the functional currency. In addition, 4.3% and 12.2% of the Group's debt is denominated in US Dollars as of December 31, 2017 and 2016, respectively.

The Group estimates a reasonably possible change of 5.00 in the US Dollar to Philippine Peso exchange rate would have an impact of approximately ₱161.3 million and ₱81.8 million on income before income tax for the years ended December 31, 2017 and 2016, respectively. An equal change in the opposite direction would have decreased income before income tax by the same amount.

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of December 31, 2017 and 2016 are deemed immaterial.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱49.93 to US$1.00 and ₱49.72 to US$1.00 as of December 31, 2017 and 2016, respectively.

Equity price risk
Equity price risk is the risk that the fair values of equities will change as a result of changes in the levels of equity indices and the value of individual stocks.

The table below shows the effect on equity as a result of a change in the fair value of equity instruments held as financial assets at FVPL investments due to reasonably possible changes in equity indices:

	2017		2016	
Changes in PSEi	**12.33%**	**(12.33%)**	9.97%	(9.97%)
Change in trading gain at equity portfolio	**₱21,906,081**	**(₱21,906,081)**	₱16,296,623	(₱16,296,623)
As a percentage of the Parent Company's trading gain for the year	**(324.18%)**	**324.18%**	(27.70%)	27.70%

The Group's investment in golf shares designated as AFS financial assets are susceptible to market price risk arising from uncertainties about future values of the investment security. The Group's estimates an increase of 1.00% would have an impact of approximately ₱0.5 million and ₱0.4 million on equity for the year ended December 31, 2017 and 2016, respectively. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following tables show information about the Group's financial instruments that are exposed to interest rate risk and presented by maturity profile:

	2017								
	<1 year	**>1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**Total**	**Total (in Philippine Peso)**	**Debt Issuance Costs (in Philippine Peso)**	**Carrying Value (in Philippine Peso)**
Liabilities:									
Foreign currencies:									
Floating rate									
Australian Dollar loans	**AU$13,251,758**	**AU$13,179,542**	**AU$13,215,650**	**AU$494,081,575**	**AU$–**	**AU$533,728,525**	**₱18,772,656,535**	**₱250,622,686**	**₱18,522,033,849**
Interest rate:									
BBSY Bid+1.60%									
New Zealand Dollar loans	**NZ$16,205,992**	**NZ$435,180,958**	**NZ$–**	**NZ$–**	**NZ$–**	**NZ$451,386,950**	**14,808,699,804**	**104,771,265**	**14,703,928,539**
Interest rate:									
NZ BKBM+1.60%									
							₱33,581,356,339	**₱355,393,951**	**₱33,225,962,388**

	2016								
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
Floating rate									
Australian Dollar loans	AU$14,720,410	AU$14,720,410	AU$14,720,410	AU$14,720,410	AU$495,264,307	AU$554,145,947	₱17,344,296,112	₱289,381,090	₱17,054,915,022
Interest rate:									
BBSY Bid+1.60%									
New Zealand Dollar loans	NZ$22,344,000	NZ$22,344,000	NZ$438,620,000	NZ$–	NZ$–	NZ$483,308,000	14,466,505,047	154,827,284	14,311,677,763
Interest rate:									
NZ BKBM+1.60%									
							₱31,810,801,159	₱444,208,374	₱31,366,592,785

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the long-term debts. With all other variables held constant, the Group's income before tax is affected through the impact on floating rate borrowings, as follows:

	Change in basis points	**Effect on income before tax**
2017	**+100**	**(₱323,797,776)**
	-100	**323,797,776**
2016	+100	(₱79,527,003)
	-100	79,527,003

5. **Fair Value Measurement**

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debts and trust receipts payable.
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Amounts due from and due to related parties
Carrying amounts of due from and due to related parties which are payable and due on demand approximate their fair values.

Financial assets at FVPL, derivatives and AFS investments
Fair values of quoted equity securities are based on quoted prices published in markets.

Biological assets
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on cost plus reasonable profit margin or replacement cost as applicable. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Investment properties
Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers in 2017, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Long-term debts
The fair value of long-term debts are based on the discounted value of future cash flows (interests and principal) using market rates plus a certain spread.

Fair Value Measurement Hierarchy for Assets and Liabilities

	December 31, 2017				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets measured at fair value					
Financial assets					
Financial assets at FVPL (Note 8):					
Quoted equity securities	**₱455,577,705**	**₱455,577,705**	**₱–**	**₱–**	**₱455,577,705**
Derivative assets designated as accounting hedge (Note 12)	**11,023,146**	**11,023,146**	**–**	**–**	**11,023,146**
AFS financial assets					
Quoted equity securities (Note 17)	**45,980,000**	**–**	**45,980,000**	**–**	**45,980,000**
	₱512,580,851	**₱466,600,851**	**₱45,980,000**	**₱–**	**₱512,580,851**
Non-financial assets					
Biological assets (Note 14)	**₱1,678,576,389**	**₱–**	**₱477,232,582**	**₱1,201,343,807**	**₱1,678,576,389**
Assets for which fair values are disclosed					
Investment properties (Note 17)	**₱45,288,139**	**₱–**	**₱–**	**₱337,579,000**	**₱337,579,000**
Liabilities for which fair values are disclosed					
Long-term debts (Note 20)	**₱33,225,962,388**	**₱–**	**₱–**	**₱33,402,588,509**	**₱33,402,588,509**

	December 31, 2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets					
Financial assets at FVPL (Note 8):					
Quoted equity securities	₱384,553,269	₱384,553,269	₱–	₱–	₱384,553,269
Derivative assets designated as accounting hedge (Note 12)	26,800,472	26,800,472	–	–	26,800,472
AFS financial assets					
Quoted equity securities (Note 17)	43,030,000	–	43,030,000	–	43,030,000
	₱454,383,741	₱411,353,741	₱43,030,000	₱–	₱454,383,741
Non-financial assets					
Biological assets (Note 14)	₱1,383,379,248	₱–	₱140,714,789	₱1,242,664,459	₱1,383,379,248
Assets for which fair values are disclosed					
Investment properties (Note 17)	₱48,945,925	₱–	₱–	₱232,236,000	₱232,236,000
Liabilities for which fair values are disclosed					
Long-term debts (Note 20)	₱31,366,592,785	₱–	₱–	₱26,994,056,033	₱26,994,056,033

For the year ended December 31, 2017 and for the three-month period ended December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties and biological assets. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

Descriptions of significant unobservable inputs to valuation of biological assets and investment properties under level 3 of the fair value category follow:

Account	Valuation Technique	Significant Unobservable Inputs
Biological assets	Cost plus reasonable profit margin	Reasonable profit margin
Investment properties	Market data approach and Cost approach	Price per square meter, size, shape, location, time element, replacement cost and depreciation for improvements

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Replacement cost	Estimated amount of money needed to replace in like kind and in new condition an asset or group of assets, taking into consideration current prices of materials, labor, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition and installation in place without provision for overtime or bonuses for labor, and premiums for materials.

Depreciation	Depreciation as evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character, and utility of the property which is to be continued in its present use as part of a going concern but without specific relations to earnings.
Reasonable profit Margin	Mark up of biological assets at different stages of development.

6. Business Segment Information

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four (4) reportable operating segments as follows:

- The branded consumer food products segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles, and pasta and tomato-based products. This segment also includes the packaging division, which manufactures BOPP films primarily used in packaging; and its subsidiary, which manufactures flexible packaging materials for the packaging requirements of various branded food products. Its revenues are in their peak during the opening of classes in June and Christmas season.
- The agro-industrial products segment engages in hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products. Its peak season is during summer and before Christmas season.
- The commodity food products segment engages in sugar milling and refining, and flour milling and pasta manufacturing and renewable energy. The peak season for sugar is during its crop season, which normally starts in November and ends in April while flour and pasta's peak season is before and during the Christmas season.
- The corporate business segment engages in bonds and securities investment and fund sourcing activities.

No operating segments have been aggregated to form the above reportable operating business segments.

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and performance assessment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance costs and revenues), market valuation gain and loss, foreign exchange gains or losses, other revenues and expenses and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present the financial information of each of the operating segments in accordance with PFRSs except for Earnings before interest, income taxes and depreciation/ amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016.

The Group's business segment information follows:

	As of and for the year ended December 31, 2017					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
Sale of Goods and Services						
Third party	**₱103,095,968**	**₱10,110,653**	**₱11,801,203**	**₱–**	**₱–**	**₱125,007,824**
Inter-segment	**15,303,639**	**122,304**	**6,189,868**	**–**	**(21,615,811)**	**–**
	₱118,399,607	**₱10,232,957**	**₱17,991,071**	**₱–**	**(₱21,615,811)**	**₱125,007,824**
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	**₱16,608,493**	**₱2,178,990**	**₱3,930,971**	**(₱1,662,224)**	**₱–**	**₱21,056,230**
Depreciation and amortization (Note 27)	**(4,480,403)**	**(398,721)**	**(1,014,338)**	**(210,601)**	**–**	**(6,104,063)**
Earnings before interest and income tax (EBIT)	**₱12,128,090**	**₱1,780,269**	**₱2,916,633**	**(1,872,825)**	**₱–**	**14,952,167**
Finance revenue (Note 29)	**₱108,162**	**₱179**	**₱11,469**	**₱105,773**	**₱–**	**225,583**
Finance costs (Note 30)	**(₱1,298,675)**	**(₱44,056)**	**(₱51,249)**	**(₱33,350)**	**₱–**	**(1,427,330)**
Equity in net loss of joint ventures (Note 16)	**₱–**	**₱–**	**₱–**	**(₱280,533)**	**₱–**	**(280,533)**
Market valuation gain on financial assets and liabilities at FVPL (Note 8)	**₱–**	**₱–**	**₱–**	**₱71,016**	**₱–**	**71,016**
Provision for credit and impairment losses (Notes 10 and 11)	**(₱21,423)**	**₱–**	**₱–**	**₱–**	**₱–**	**(21,423)**
Other expenses*						**430,927**
Income before income tax						**13,950,407**
Provision for income tax (Note 32)						**(2,797,486)**
Net income						**₱11,152,921**
Other Information						
Total assets	**₱112,007,686**	**₱6,558,891**	**₱18,536,399**	**₱10,537,823**	**₱–**	**₱147,640,799**
Total liabilities	**₱57,021,889**	**₱3,225,428**	**₱4,420,186**	**₱1,287,284**	**₱–**	**₱65,954,787**
Capital expenditures	**₱4,436,763**	**₱761,141**	**₱2,630,024**	**₱301,744**	**₱–**	**₱8,129,672**
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	**(₱18,553)**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱18,553)**
Inventories (Note 11)	**(2,870)**	**–**	**–**	**–**	**–**	**(2,870)**
	(₱21,423)	**₱–**	**₱–**	**₱–**	**₱–**	**(₱21,423)**

** Include net foreign exchange losses and other revenues (expenses).*

	As of and for the three-month period ended December 31, 2016					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
	(In Thousands)					
Sale of Goods and Services						
Third party	₱25,725,086	₱2,373,929	₱2,841,223	₱–	₱–	₱30,940,238
Inter-segment	3,958,902	30,504	1,535,214	–	(5,524,620)	–
	₱29,683,988	₱2,404,433	₱4,376,437	₱–	(₱5,524,620)	₱30,940,238
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱4,565,914	₱284,008	₱1,176,762	(₱433,796)	₱–	₱5,592,888
Depreciation and amortization (Note 27)	(1,092,811)	(101,319)	(256,427)	(56,361)	–	(1,506,918)
Earnings before interest and income tax (EBIT)	₱3,473,103	₱182,689	₱920,335	(490,157)	₱–	4,085,970
Finance revenue (Note 29)	₱17,690	₱65	₱16	₱32,177	₱–	49,948
Finance costs (Note 30)	(₱316,702)	(₱7,809)	(₱10,305)	(₱3,775)	₱–	(338,591)
Equity in net loss of joint ventures (Note 16)	₱–	₱–	₱–	(₱49,412)	₱–	(49,412)
Market valuation gain on financial assets and liabilities at FVPL (Note 8)	₱–	₱–	₱–	(₱4,515)	₱–	(4,515)
Provision for credit and impairment losses (Notes 10 and 11)	(₱2,773)	₱–	₱–	₱–	₱–	(2,773)
Other expenses*						(523,514)
Income before income tax						3,217,113
Provision for income tax (Note 32)						(767,495)
Net income						₱2,449,618
Other Information						
Total assets	₱107,420,050	₱5,484,690	₱16,888,975	₱12,871,692	₱–	₱142,665,407
Total liabilities	₱54,849,692	₱3,528,691	₱4,192,196	₱1,245,573	₱–	₱63,816,152
Capital expenditures	₱1,752,007	₱105,356	₱245,653	₱29,459	₱–	₱2,132,475
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	₱2,102	₱–	₱–	₱–	₱–	₱2,102
Inventories (Note 11)	671	–	–	–	–	671
	₱2,773	₱–	₱–	₱–	₱–	₱2,773

** Include net foreign exchange losses and other revenues (expenses).*

	As of and for the year ended September 30, 2016					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
			(In Thousands)			
Sale of Goods and Services						
Third party	₱92,514,853	₱9,114,167	₱10,002,773	₱–	₱–	₱111,631,793
Inter-segment	13,072,475	118,541	7,069,570	–	(20,260,586)	–
	₱105,587,328	₱9,232,708	₱17,072,343	₱–	(₱20,260,586)	₱111,631,793
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱17,911,086	₱1,444,364	₱4,359,581	(₱1,434,918)	₱–	₱22,280,113
Depreciation and amortization (Note 27)	(3,865,622)	(393,310)	(1,019,875)	(190,693)	–	(5,469,500)
Earnings before interest and income tax (EBIT)	₱14,045,464	₱1,051,054	₱3,339,706	(₱1,625,611)	₱–	16,810,613
Finance revenue (Note 29)	₱67,081	₱160	₱422	₱145,381	₱–	213,044
Finance costs (Note 30)	(₱816,846)	(₱24,216)	(₱35,603)	(₱20,556)	₱–	(897,221)
Equity in net loss of joint ventures (Note 16)	₱–	₱–	₱–	(₱233,999)	₱–	(233,999)
Market valuation gain on financial assets and liabilities at FVPL (Note 8)	₱–	₱–	₱–	₱855,085	₱–	855,085
Provision for credit and impairment losses (Notes 10 and 11)	(₱177,972)	₱–	(₱3,125)	₱–	₱–	(181,097)
Other expenses*						2,231,080
Income before income tax						18,797,505
Provision for income tax (Note 32)						(3,441,533)
Net income						₱15,355,972
Other Information						
Total assets	₱107,145,840	₱5,566,632	₱15,991,491	₱13,969,643	₱–	₱142,673,606
Total liabilities	₱54,939,413	₱3,150,660	₱4,010,534	₱5,300,941	₱–	₱67,401,548
Capital expenditures	₱4,791,720	₱530,536	₱2,163,352	₱329,527	₱–	₱7,815,135
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	₱8,058	₱–	₱85	₱–	₱–	₱8,143
Inventories (Note 11)	169,914	–	3,040	–	–	172,954
	₱177,972	₱–	₱3,125	₱–	₱–	₱181,097

Inter-segment Revenues

Inter-segment revenues are eliminated at the consolidation level.

Segment Results

Segment results pertain to the net income (loss) of each of the operating segments excluding the amounts of market valuation gains and losses on financial assets at FVPL, foreign exchange gains and losses and other revenues and expenses which are not allocated to operating segments.

Segment Assets
Segment assets are resources owned by each of the operating segments excluding significant inter-segment transactions.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding significant inter-segment transactions. The Group also reports to the chief operating decision maker the breakdown of the short-term and long-term debts of each of the operating segments.

Capital Expenditures
The components of capital expenditures reported to the chief operating decision maker are the additions to investment property and property plant and equipment during the period.

Geographic Information
The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore, Vietnam, Myanmar, New Zealand and Australia.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
		(In Thousands)	
Domestic	**₱82,137,541**	₱20,372,269	₱80,179,132
Foreign	**42,870,283**	10,567,969	31,452,661
	₱125,007,824	₱30,940,238	₱111,631,793

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

	December 31, 2017	December 31, 2016	September 30, 2016
		(In Thousands)	
Domestic	**₱30,500,080**	₱27,795,757	₱27,320,872
Foreign	**63,175,218**	62,227,710	62,624,581
	₱93,675,298	₱90,023,467	₱89,945,453

7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	**₱103,326,491**	₱123,251,267
Cash in banks (Note 34)	**3,948,475,487**	3,291,216,790
Short-term investments (Note 34)	**10,445,715,813**	11,933,233,863
	₱14,497,517,791	₱15,347,701,920

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group and earn interest ranging from 0.05% to 6.50%, from 0.01% to 6.50% and from 0.05% to 6.50% for foreign currency-denominated money market placements for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 1.20% to 3.40%, from 1.10% to 2.75% and from 1.10% to 1.75% for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

Interest earned on cash and cash equivalents amounted to ₱212.7 million, ₱49.9 million and ₱200.1 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively (see Note 29).

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments held-for-trading amounting to ₱455.6 million and ₱384.6 million as of December 31, 2017 and 2016, respectively. Investments held-for-trading consist of quoted equity securities issued by certain domestic entities.

Market valuation gains (losses) on financial instruments at fair value though profit and loss is broken down as follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Equity securities	**₱71,016,151**	(₱4,514,684)	(₱12,238,811)
Derivatives (Note 9)	**–**	–	867,323,420
	₱71,016,151	(₱4,514,684)	₱855,084,609

9. Derivative Financial Instruments

Derivative not designated as accounting hedge
The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes.

In 2016, the Group settled its existing foreign currency forward arrangement with notional amount of NZ$322.3 million (₱9.6 billion) when its carrying value amounted to NZ$22.1 million (₱694.7 million). The Group recognized total mark-to-market gains of NZ$27.2 million (₱847.0 million) (see Note 8).

Derivatives designated as accounting hedge
As part of its asset and liability management, the Group uses derivatives, particularly currency option, as cash flow hedges in order to reduce its exposure to market risks.

The Group entered into currency options with a total notional amount of NZ$28.2 million and initial fair value of ₱7.5 million. The Group recognized unrealized loss (presented under 'Other comprehensive income') amounting to ₱11.4 million for the year ended December 31, 2017, unrealized gain of ₱19.2 million for the three-month period ended December 31, 2016, and unrealized gain of ₱1.5 million for the year ended September 30, 2016 (see Note 23). The Group made a settlement of ₱4.6 million during the year for the related derivatives.

The Group recognized gain (presented under 'Market valuation gain on financial assets and liabilities at fair value through profit or loss') amounting to ₱20.3 million for the year ended September 30, 2016 (see Note 8).

The Group's currency options have a positive fair value of ₱11.0 million and ₱26.8 million as of December 31, 2017 and 2016, respectively (see Note 12).

10. Receivables

This account consists of:

	2017	2016
Trade receivables (Note 34)	**₱13,851,205,174**	₱12,542,667,130
Due from related parties (Note 34)	**1,396,239,630**	1,553,961,546
Non-trade receivables	**871,056,230**	521,870,925
Advances to officers and employees	**133,976,804**	151,525,761
Interest receivable (Note 34)	**42,299,508**	47,388,211
Others	**198,238,183**	396,112,115
	16,493,015,529	15,213,525,688
Less allowance for credit losses	**376,522,190**	359,821,980
	₱16,116,493,339	₱14,853,703,708

Others include receivable related to disposal of certain properties located in Jiading, China amounting to nil and ₱96.5 million as of December 31, 2017 and 2016, respectively (see Notes 13 and 37).

Allowance for Credit Losses on Receivables

Changes in allowance for impairment losses on receivables follow:

	2017			
	Individual Assessment		**Collective Assessment**	
	Trade Receivables	**Other Receivables**	**Trade Receivables**	**Total**
Balances at beginning of the period	**₱157,563,135**	**₱188,697,554**	**₱13,561,291**	**₱359,821,980**
Provision for credit losses	**18,553,155**	**–**	**–**	**18,553,155**
Others	**(22,125,767)**	**20,272,822**	**–**	**(1,852,945)**
Balances at end of the period	**₱153,990,523**	**₱208,970,376**	**₱13,561,291**	**₱376,522,190**

	2016			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of the period	₱154,547,046	₱188,697,554	₱13,561,291	₱356,805,891
Provision for credit losses	2,102,569	–	–	2,102,569
Others	913,520	–	–	913,520
Balances at end of the period	₱157,563,135	₱188,697,554	₱13,561,291	₱359,821,980

Allowance for credit losses on other receivables includes credit losses on advances to officers and employees and other receivables. Allowance for credit losses on advances to officers and employees amounted to ₱19.6 million as of December 31, 2017 and 2016. Allowance for credit losses on other receivables amounted to ₱189.3 million and ₱169.1 million as of December 31, 2017 and 2016.

11. Inventories

This account consists of inventories at cost as follows:

	2017	2016
Raw materials	**₱6,639,193,504**	₱7,233,694,668
Finished goods	**5,247,036,948**	5,294,092,403
Goods in-process	**888,498,415**	892,137,325
Containers and packaging materials	**1,969,926,603**	2,052,245,776
Spare parts and supplies	**3,720,707,970**	3,128,560,740
	₱18,465,363,440	₱18,600,730,912

Under the terms of the agreements covering liabilities under trust receipts totaling ₱3.2 billion and ₱4.6 billion as of December 31, 2017 and 2016, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusteed merchandise or their sales proceeds.

Inventory obsolescence, market decline and mark down, included in 'Cost of sales', amounted to ₱638.4 million, ₱185.2 million and ₱760.5 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

The Group recognized impairment losses on its inventories amounting to ₱2.9 million, ₱0.7 million and ₱173.0 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

12. Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	**₱1,266,652,930**	₱922,727,411
Input value-added tax (VAT)	**1,249,413,458**	749,298,360
Prepaid insurance	**204,878,838**	168,189,499
Prepaid taxes	**85,055,881**	33,857,215
Prepaid rent	**51,421,481**	65,579,063
Derivatives designated as accounting hedge (Note 9)	**11,023,146**	26,800,472
Other prepaid expenses	**118,940,363**	158,676,580
	₱2,987,386,097	₱2,125,128,600

Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. Also included in the account are advances made to contractors related to construction activities. These are applied against progress billings which occur within one year from the date the advances arose.

Other prepaid expenses include prepayments of advertising and office supplies.

13. Property, Plant and Equipment

The rollforward of this account follows:

	As of and for the year ended December 31, 2017				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱3,431,016,024	₱1,640,367,292	₱15,715,575,721	₱66,093,113,234	₱86,880,072,271
Additions	214,731,551	49,404,956	471,575,891	2,131,770,696	2,867,483,094
Disposals, reclassifications and other adjustments	81,963,780	15,046,935	418,603,191	1,478,127,011	1,993,740,917
Balance at end of year	3,727,711,355	1,704,819,183	16,605,754,803	69,703,010,941	91,741,296,282
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	578,902,619	6,514,023,632	42,194,166,937	49,287,093,188
Depreciation and amortization	–	84,419,460	751,947,125	4,408,672,415	5,245,039,000
Disposals, reclassifications and other adjustments	–	7,394,939	250,038,337	(138,340,441)	119,092,835
Balance at end of year	–	670,717,018	7,516,009,094	46,464,498,911	54,651,225,023
Net Book Value	₱3,727,711,355	₱1,034,102,165	₱9,089,745,709	₱23,238,512,030	₱37,090,071,259

	As of and for the year ended December 31, 2017				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱2,370,685,859	₱4,089,123,064	₱3,504,041,899	₱1,794,350,119	₱98,638,273,212
Additions	134,481,808	691,914,896	2,785,889,642	1,531,857,139	8,011,626,579
Disposals, reclassifications and other adjustments	(28,579,064)	87,895,116	(407,802,754)	(156,384,630)	1,488,869,585
Balance at end of the year	2,476,588,603	4,868,933,076	5,882,128,787	3,169,822,628	108,138,769,376
Accumulated Depreciation and Amortization					
Balance at beginning of year	1,637,136,526	2,706,625,749	–	–	53,630,855,463
Depreciation and amortization	196,356,912	475,586,168	–	–	5,916,982,080
Disposals, reclassifications and other adjustments	(1,692,603)	219,403,298	–	–	336,803,530
Balance at end of year	1,831,800,835	3,401,615,215	–	–	59,884,641,073
Net Book Value	₱644,787,768	₱1,467,317,861	₱5,882,128,787	₱3,169,822,628	₱48,254,128,303

	As of and for the three-month period ended December 31, 2016				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of period	₱3,387,503,701	₱1,919,544,212	₱15,228,130,072	₱65,726,805,560	₱86,261,983,545
Additions	49,934,683	7,681,751	263,349,891	906,306,594	1,227,272,919
Disposals, reclassifications and other adjustments	(6,422,360)	(286,858,671)	224,095,758	(539,998,920)	(609,184,193)
Balance at end of period	3,431,016,024	1,640,367,292	15,715,575,721	66,093,113,234	86,880,072,271
Accumulated Depreciation and Amortization					
Balance at beginning of period	–	544,063,851	5,843,971,179	42,369,804,995	48,757,840,025
Depreciation and amortization	–	50,847,892	151,621,356	1,002,072,578	1,204,541,826
Disposals, reclassifications and other adjustments	–	(16,009,124)	518,431,097	(1,177,710,636)	(675,288,663)
Balance at end of period	–	578,902,619	6,514,023,632	42,194,166,937	49,287,093,188
Net Book Value	₱3,431,016,024	₱1,061,464,673	₱9,201,552,089	₱23,898,946,297	₱37,592,979,083

	As of and for the three-month period ended December 31, 2016				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of period	₱2,358,024,006	₱4,092,350,306	₱3,210,102,736	₱1,563,139,188	₱97,485,599,781
Additions	17,061,619	177,735,084	829,043,158	302,525,426	2,553,638,206
Disposals, reclassifications and other adjustments	(4,399,766)	(180,962,326)	(535,103,995)	(71,314,495)	(1,400,964,775)
Balance at end of the period	2,370,685,859	4,089,123,064	3,504,041,899	1,794,350,119	98,638,273,212
Accumulated Depreciation and Amortization					
Balance at beginning of period	1,551,769,683	2,298,232,885	–	–	52,607,842,593
Depreciation and amortization	50,737,996	199,377,978	–	–	1,454,657,800
Disposals, reclassifications and other adjustments	34,628,847	209,014,886	–	–	(431,644,930)
Balance at end of period	1,637,136,526	2,706,625,749	–	–	53,630,855,463
Net Book Value	₱733,549,333	₱1,382,497,315	₱3,504,041,899	₱1,794,350,119	₱45,007,417,749

In May 2017, Century Pacific Food Inc. (CNPF) entered into an asset purchase agreement with the Parent Company to purchase the machineries and equipment used in manufacturing the Hunt's branded products for a total consideration of ₱145.1 million, net of tax. As of date of sale, the net book value of these assets amounted to ₱28.1 million. The Group recognized gain on disposal amounting to ₱117.0 million, under 'Other income (loss) - net' in the consolidated statements of income. The sale was completed on August 31, 2017.

CNPF also entered into a Compensation Agreement with the Parent Company to acquire the exclusive right to manufacture and sell Hunt's branded products amounting to ₱214.2 million which the Group recognized in the consolidated statements of income.

In January 2017, the Parent Company executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its three parcels of land costing ₱1.0 million for a total consideration of ₱111.3 million. Gain on disposal attributable to sale amounted to ₱110.3 million, which was recognized under 'Other income (loss) - net' in the consolidated statements of income.

In July 2016, certain properties of the Group located in Jiading, China with a net book value of CNY30.5 million (₱219.0 million) were disposed as part of the relocation plan in the area. The Group recognized the related gain, net of expenses, under 'Other income (loss) - net' in the consolidated statements of income.

In 2017, payments include net settlement of property and equipment acquired on account amounting to ₱118.7 million while for the three-month period ended December 31, 2016, additions include acquisition on account amounting to ₱421.2 million.

Borrowing Costs
For the year ended December 31, 2017, the three-month period ended December 31, 2016 and the year ended September 30, 2016, no borrowing costs have been incurred related to property, plant and equipment under construction.

Depreciation
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Cost of sales (Note 24)	**₱5,270,962,412**	₱1,300,783,837	₱4,837,053,762
Selling and distribution costs (Note 25)	**162,600,854**	37,436,876	124,126,308
General and administrative expenses (Note 26)	**483,418,814**	116,437,087	343,411,603
	₱5,916,982,080	₱1,454,657,800	₱5,304,591,673

Collateral
As of December 31, 2017 and 2016, the Group has no property and equipment that are pledged as collateral.

14. **Biological Assets**

Total biological assets shown in the consolidated statements of financial position follow:

	2017	2016
Current portion	**₱1,180,266,509**	₱920,226,312
Noncurrent portion	**498,309,880**	463,152,936
	₱1,678,576,389	₱1,383,379,248

These biological assets consist of:

	2017	2016
Swine livestock		
Commercial	**₱1,137,959,568**	₱897,048,298
Breeder	**435,698,306**	411,356,528
Poultry livestock		
Commercial	**42,306,941**	23,178,014
Breeder	**62,611,574**	51,796,408
	₱1,678,576,389	₱1,383,379,248

The rollforward analysis of this account follows:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Balance at beginning of period	**₱1,383,379,248**	₱1,520,982,540
Additions	**3,115,220,274**	773,673,176
Disposals	**(2,938,864,205)**	(806,627,866)
Gain (loss) arising from changes in fair value less estimated costs to sell	**118,841,072**	(104,648,602)
Balance at end of period	**₱1,678,576,389**	₱1,383,379,248

The Group has about 239,438 and 229,582 heads of swine livestock and about 435,946 and 443,635 heads of poultry livestock as of December 31, 2017 and 2016, respectively.

15. **Goodwill and Intangible Assets**

The movements of goodwill follow:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Cost		
Balance at beginning and end of period	**₱31,460,215,108**	₱31,460,215,108
Accumulated impairment losses		
Balance at beginning and end of period	**248,139,704**	248,139,704
Net book value at end of period	**₱31,212,075,404**	₱31,212,075,404

The Group's goodwill pertains to: (a) the acquisition of CSPL in September 2016, (b) acquisition of Balayan Sugar Mill in February 2016, (c) acquisition of NZSFHL in November 2014, (d) acquisition of Advanson in December 2007 and (e) the excess of the acquisition cost over the fair values of the net assets acquired by HCFCL and UABCL in 2000. The goodwill arising from the acquisitions of HCFCL, UABCL and Advanson was translated at the applicable year-end exchange rate.

Acquisition of Snack Brands Australia
On August 16, 2016, URC AU FinCo, a wholly-owned subsidiary of URCICL, entered into a Share Sale Agreement with Toccata Securities Pty Ltd and Hopkins Securities Pty Ltd for the acquisition of 100% equity interest in CSPL, which trades under the company name SBA, one of the leading snack food companies in Australia, subject to the approval of the Australian Foreign Investment Review Board (FIRB). The total consideration of the acquisition is
AU$584.5 million (₱21.6 billion).

On September 14, 2016, the Australian FIRB approved the acquisition of CSPL. Following the approval, the transaction was completed on September 30, 2016.

The Group engaged the services of a third party valuer to conduct the final purchase price allocation. The fair values of the identifiable assets and liabilities of CSPL at the date of acquisition follow:

Purchase consideration transferred	₱21,579,202,907
Fair value of identifiable assets	
Cash and cash equivalents	419,944,622
Receivables	1,608,193,555
Inventories	369,121,737
Property, plant and equipment	2,371,469,678
Intangible assets	4,681,269,034
Deferred tax assets	310,964,989
Other current assets	68,764,464
Total Assets	9,829,728,079
Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	3,103,596,275
Deferred tax liabilities	1,514,713,029
Other noncurrent liabilities	125,070,200
Total Liabilities	4,743,379,504
Total fair value of identifiable net assets	5,086,348,575
Goodwill	₱16,492,854,332

Goodwill arising from the acquisition of CSPL is allocated entirely to the operations of SBA and is mainly attributed to the synergies formed between URC and CSPL. None of the goodwill recognized is expected to be deductible for income tax purposes. If the business combination had taken place on October 1, 2015, net sales and net income attributable to equity holders of the Parent Company for the fiscal year ended September 30, 2016 would have been ₱121.6 billion and ₱15.4 billion, respectively.

Acquisition of Balayan Sugar Mill
On February 4, 2016, the Parent Company entered into an Asset Purchase Agreement with Batangas Sugar Central, Inc. (BSCI), a corporation duly organized in accordance with the Philippine laws, for the acquisition of Balayan Sugar Mill for a total consideration of ₱1.6 billion. The Parent Company engaged the services of a third party valuer to conduct the final purchase price allocation.

The fair values of the identifiable assets at the date of acquisition follow:

Purchase consideration transferred	₱1,600,000,000
Fair value of identifiable assets acquired	
Property, plant and equipment	1,323,590,374
Inventories	264,000,000
Total fair value of assets acquired	1,587,590,374
Goodwill	₱12,409,626

Goodwill arising from acquisition of Balayan is allocated entirely to the operations of the sugar mill and is mainly attributed to the synergies formed between URC and Balayan.

From the date of acquisition, the Balayan Sugar Mill has contributed net sales of ₱504.0 million and net income of ₱68.7 million to the Group in fiscal year 2016. If the business combination had taken place on October 1, 2015, net sales and net income attributable to equity holders of the Parent Company for fiscal year ended September 30, 2016 would have been ₱111.8 billion and ₱15.2 billion, respectively.

Acquisition of Griffin's

In July 2014, URC NZ FinCo, a wholly-owned subsidiary of URCICL, entered into a Sale and Purchase Agreement with Pacific Equity Partners (PEP) for the acquisition of 100% equity interest in NZSFHL, which is the holding company of Griffin's Food Limited (Griffin's), the leading snack food company in New Zealand. The total consideration of the acquisition amounted to NZ$233.7 million (approximately ₱8.2 billion), including the initial deposit of NZ$100.0 million (₱3.5 billion) which was held in escrow and the balance upon completion.

The transaction resulted in a goodwill amounting to ₱13.9 billion which is allocated entirely to the operations of Griffin's and is mainly attributed to the synergies formed between URC and NZSFHL. None of the goodwill recognized is expected to be deductible for income tax purposes.

The composition and movements of intangible assets follow:

	As of and for the year ended December 31, 2017				
	Trademarks/ Brands	**Product Formulation**	**Software Costs**	**Customer Relationship**	**Total**
Cost					
Balances at beginning of period	**₱9,564,461,252**	**₱425,000,000**	**₱73,812,234**	**₱2,201,281,173**	**₱12,264,554,659**
Additions	**–**	**–**	**4,475,330**	**–**	**4,475,330**
Disposal/others	**–**	**–**	**1,668,017**	**–**	**1,668,017**
	9,564,461,252	**425,000,000**	**79,955,581**	**2,201,281,173**	**12,270,698,006**
Accumulated Amortization and Impairment Losses					
Balances at beginning of period	**201,524,581**	**–**	**40,904,256**	**118,520,921**	**360,949,758**
Amortization during the period	**–**	**–**	**19,404,935**	**77,381,982**	**96,786,917**
Disposal/others	**–**	**–**	**591,205**	**2,334,094**	**2,925,299**
	201,524,581	**–**	**60,900,396**	**198,236,997**	**460,661,974**
Net Book Value at End of Period	**₱9,362,936,671**	**₱425,000,000**	**₱19,055,185**	**₱2,003,044,176**	**₱11,810,036,032**

	As of and for the three-month period ended December 31, 2016				
	Trademarks/ Brands	Product Formulation	Software Costs	Customer Relationship	Total
Cost					
Balances at beginning of year	₱9,564,461,252	₱425,000,000	₱62,548,030	₱2,201,281,173	₱12,253,290,455
Additions	–	–	12,651,126	–	12,651,126
Disposal/others	–	–	(1,386,922)	–	(1,386,922)
	9,564,461,252	425,000,000	73,812,234	2,201,281,173	12,264,554,659
Accumulated Amortization and Impairment Losses					
Balances at beginning of year	201,524,581	–	36,053,207	102,302,470	339,880,258
Amortization during the period	–	–	5,746,269	18,758,863	24,505,132
Disposal/others	–	–	(895,220)	(2,540,412)	(3,435,632)
	201,524,581	–	40,904,256	118,520,921	360,949,758
Net Book Value at End of Year	₱9,362,936,671	₱425,000,000	₱32,907,978	₱2,082,760,252	₱11,903,604,901

Trademarks and product formulation were acquired from General Milling Corporation in 2008.
Total intangible assets acquired from the acquisition of CSPL and NZSFHL in fiscal years 2016 and 2015 were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2017 and 2016. The recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 3.40% to 12.67% and 3.43% to 9.97% for the year ended December 31, 2017 and the three-month period ended December 31, 2016, respectively. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 2.0% to 12.1% as of December 31, 2017 and 2016.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group's acquisitions to materially exceed their recoverable amounts.

16. **Investments in Joint Ventures**

The rollforward analysis of this account follows:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Acquisition Cost		
Balance at beginning of period	**₱746,250,000**	₱741,250,000
Additional investments	**401,293,071**	5,000,000
Balance at end of period	**1,147,543,071**	746,250,000
Accumulated Equity in Net Earnings		
Balance at beginning of period	**(444,667,941)**	(395,256,357)
Equity in net losses during the period	**(132,954,610)**	(49,411,584)
Dividends received	**(18,500,000)**	–
Cumulative translation adjustments	**805,768**	–
Balance at end of period	**(595,316,783)**	(444,667,941)
Net Book Value at End of Period	**₱552,226,288**	₱301,582,059

Proper Snack Foods Ltd.
On June 30, 2017, Griffins purchased 50.1% of the shares in Proper Snack Foods Ltd. (a Nelson based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ$1.5 million (₱51.5 million) recorded in the consolidated statement of financial position.

Vitasoy-URC, Inc.
On October 4, 2016, the Parent Company entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form Vitasoy - URC (VURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Vitasoy" brand name, which is under exclusive license to VURCI in the Philippines.

On May 31, 2017, the Parent Company made additional subscriptions to the unissued authorized capital stock of VURCI consisting of 12,600,000 common shares for a total cost of ₱126.0 million.

Danone Universal Robina Beverages, Inc.
On May 23, 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "B'lue" brand name, which is under exclusive license to DURBI in the Philippines.

Equity in net losses in the 2017 statement of income amounting to ₱280.5 million includes the excess of the share in net loss over the investment in DURBI amounting to ₱147.6 million presented in 'Other noncurrent liabilities.'

Calbee-URC, Inc.
On January 17, 2014, the Parent Company entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC, Inc. (CURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Calbee Jack 'n Jill" brand name, which is under exclusive license to CURCI in the Philippines.

Hunt-Universal Robina Corporation
The Parent Company has an equity interest in Hunt-Universal Robina Corporation (HURC), a domestic joint venture which is a jointly controlled entity. HURC manufactures and distributes food products under the "Hunt's" brand name, which is under exclusive license to HURC in the Philippines.

In 2017, the Parent Company entered into certain agreements with CNPF to sell its rights, title and interest in the assets used in manufacturing the hunt's business, as well as pre-termination of the right to manufacture, sell and distribute Hunt's products (see Note 13). Subsequent to the sale, HURC remains to exist as a jointly controlled entity.

On January 11, 2017, HURC's BOD declared cash dividends amounting to ₱13.20 per share to stockholders of record as of September 30, 2016. Total dividends declared amounted to ₱37.0 million, which was paid on the third quarter of calendar year 2017.

On January 8, 2016, HURC's BOD declared cash dividends amounting to ₱12.50 per share to stockholders of record as of September 30, 2015. Total dividends declared amounted to ₱35.0 million, which was paid in the third quarter of fiscal year 2016.

As of December 31, 2017 and 2016, the Parent Company has the following percentage of ownership of shares in its joint ventures and its related equity in the net assets are summarized below:

	Place of Business	Percentage of Ownership	Equity in Net Assets (In Millions) 2017	2016
HURC	Philippines	50.00	**₱56.8**	₱93.4
CURCI	-do-	50.00	**184.2**	231.1
DURBI	-do-	50.00	**–**	(28.0)
VURCI	-do-	50.00	**31.6**	–
PSFL	New Zealand	50.10	**279.6**	–

Summarized financial information in respect of the Group's joint ventures as of December 31, 2017 and 2016 are presented below.

	HURC		CURCI		DURBI		VURCI		PSFL	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	(In Thousands)									
Current assets	**₱326,815**	₱438,300	**₱513,301**	₱493,258	**₱248,267**	₱407,899	**₱255,324**	₱–	**₱83,147**	₱–
Noncurrent assets	**7,221**	358	**141,918**	160,325	**13,022**	15,417	**3,692**	–	**107,035**	–
Current liabilities	**218,504**	251,834	**285,425**	191,319	**555,490**	477,373	**195,816**	–	**46,160**	–
Noncurrent liabilities	**1,932**	–	**1,394**	–	**2,271**	1,867	**–**	–	**41,028**	–
Revenue	**406,496**	226,005	**227,322**	60,993	**665,620**	139,226	**203,453**	–	**261,343**	–
Costs and expenses	**444,998**	211,458	**330,374**	87,854	**904,293**	224,677	**403,949**	–	**240,617**	–
Net income (loss)	**(36,159)**	14,547	**(93,891)**	(28,896)	**(239,234)**	(84,474)	**(198,798)**	–	**11,998**	–

The summarized financial information presented above represents amounts shown in the joint ventures' financial statements prepared in accordance with PFRSs.

HURC, CURCI, DURBI, VURCI and PSFL are private companies and there are no quoted prices available for their shares.

The Group received dividends from its joint ventures amounting to ₱18.5 million, nil and ₱17.5 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

As of December 31, 2017 and 2016, there were no agreements entered into by the joint ventures that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from the Group. In addition, the Group has no share on commitments and contingencies of its joint ventures.

Investments in Subsidiaries

The summarized financial information (before inter-company eliminations) of NURC, a subsidiary with material non-controlling interest follows:

	2017	2016
	(In Thousands)	
Current assets	**₱1,712,589**	₱1,409,870
Noncurrent assets	**973,148**	871,263
Current liabilities	**1,789,532**	1,946,472
Noncurrent liabilities	**14,488**	18,290
Revenue	**5,102,875**	1,160,691
Costs and expenses	**4,334,291**	969,874
Net income	**559,264**	133,050

The equity interest held by non-controlling interest in NURC, a subsidiary with material non-controlling interest is 49.0% as of December 31, 2017 and 2016.

The accumulated non-controlling interest as of December 31, 2017 and 2016 amounted to ₱282.8 million and ₱15.5 million, respectively.

The profit allocated to non-controlling interest for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016 amounted to ₱264.8 million, ₱47.5 million and ₱215.5 million, respectively.

17. Other Noncurrent Assets

This account consists of:

	2017	2016
Input VAT	**₱666,011,121**	₱566,913,500
Deposits	**576,377,057**	500,889,384
AFS financial assets	**45,980,000**	43,030,000
Investment properties	**45,288,139**	48,945,925
Others	**60,846,060**	18,885,532
	₱1,394,502,377	₱1,178,664,341

Input VAT
Input tax pertains to VAT from purchases and/or importations of various parts, supplies, equipment, machineries and or capital goods, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations.

Deposits
Deposits pertain to the Group's deposits made in connection with the installation of power water meters, deposits on returnable containers and security deposits for operating leases of plants, warehouses and office buildings.

AFS Financial Assets
As of December 31, 2017 and 2016, AFS financial assets consists of equity securities with the following movement:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Balance at beginning of period	**₱43,030,000**	₱41,830,000
Changes in fair value during the period	**2,950,000**	1,200,000
Balance at end of period	**₱45,980,000**	₱43,030,000

Fair value changes of AFS financial assets are presented as components of 'Other comprehensive income' in Equity (see Note 23).

Investment Properties

The rollforward analysis of investment properties follows:

	December 31, 2017 (One year)	December 31, 2016 (Three months)
Cost		
Balance at beginning and end of period	**₱107,947,364**	₱107,947,364
Accumulated depreciation		
Balance at beginning of period	**59,001,439**	58,086,994
Depreciation (Notes 26 and 27)	**3,657,786**	914,445
Balance at end of period	**62,659,225**	59,001,439
Net book value at end of period	**₱45,288,139**	₱48,945,925

The investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 34 and 36).

Total rental income earned from investment properties (included under 'Other income (loss) - net' in the consolidated statements of income) amounted to ₱57.9 million, ₱19.2 million and ₱61.1 million for year ended December 31, 2017, the three-month period ended December 31, 2016 and year ended September 30, 2016 respectively.

Direct operating expenses (included under 'General and administrative expenses' in the consolidated statements of income) arising from investment properties amounted to ₱0.8 million, nil and ₱0.8 million for the year ended December 31, 2017, the three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

Collateral

As of December 31, 2017 and 2016, the Group has no investment properties that are pledged as collateral.

18. **Short-term Debts**

This account consists of:

	2017	2016
Thai Baht denominated loans - unsecured with interest ranging from 2.10% to 2.25% for the year and three-month period ended December 31, 2017 and 2016	**₱1,629,389,107**	₱1,343,243,452
Malaysian Ringgit denominated loan - unsecured with interest at 4.43% and 4.39% for the year and three-month period ended December 31, 2017 and 2016	**379,928,804**	88,647,203
	₱2,009,317,911	₱1,431,890,655

Accrued interest payable on the Group's short-term debts (included under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position) amounted to ₱2.4 million and ₱1.9 million as of December 31, 2017 and 2016, respectively (see Note 19). Interest expense from the short-term debts amounted to ₱66.6 million, ₱14.0 million and ₱44.1 million for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, respectively (see Note 30).

19. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2017	2016
Trade payables (Note 34)	**₱12,344,609,082**	₱11,116,646,478
Accrued expenses	**7,532,671,219**	6,812,560,987
VAT payable	**680,883,835**	459,294,296
Customers' deposits	**398,004,745**	855,447,883
Advances from stockholders (Note 34)	**243,600,509**	231,051,185
Withholding taxes payable	**186,762,222**	116,028,949
Due to related parties (Note 34)	**106,452,798**	75,161,893
Dividends payable	**–**	227,850,000
Others	**78,134,146**	87,870,697
	₱21,571,118,556	₱19,981,912,368

Trade payables are noninterest-bearing and are normally settled on 30-60 day terms. Trade payables arise from purchases of inventories which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

Customers' deposits represent downpayments for the sale of goods or performance of services which will be applied against accounts receivables upon delivery of goods or rendering of services.

The accrued expenses account consists of:

	2017	2016
Advertising and promotions	**₱4,656,850,277**	₱3,931,458,406
Personnel costs	**1,006,743,561**	816,530,735
Contracted services	**384,401,569**	428,970,087
Rent	**366,344,003**	317,645,030
Utilities	**296,217,865**	242,829,850
Freight and handling costs	**251,248,221**	303,189,747
Interest expense (Note 18 and 20)	**71,387,248**	69,060,326
Others	**499,478,475**	702,876,806
	₱7,532,671,219	₱6,812,560,987

Others include accruals for taxes and licenses, professional and legal fees and other benefits.

20. Long-term Debts

This account consists of:

	2017			2016		
	Principal	**Unamortized debt issuance cost**	**Net**	Principal	Unamortized debt issuance cost	Net
URC AU FinCo Loan	**₱18,772,656,535**	**₱250,622,686**	**₱18,522,033,849**	₱17,344,295,963	₱289,381,090	₱17,054,914,873
URC NZ FinCo Loan	**14,808,699,804**	**104,771,265**	**14,703,928,539**	14,466,505,196	154,827,284	14,311,677,912
	₱33,581,356,339	**₱355,393,951**	**₱33,225,962,388**	₱31,810,801,159	₱444,208,374	₱31,366,592,785

URC NZ FinCo NZ$420 Million Term Loan due 2019
On November 13, 2014, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$420.0 million (₱12.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

URC AU FinCo Loan due 2021
On September 30, 2016, URC AU FinCo entered into a syndicated term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, maturing on September 30, 2021.

URC Oceania NZ$322 Million Term Loan due 2019
On November 13, 2014, URC Oceania entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$322.0 million (₱9.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement at face value plus accrued interest. Total payment amounted to NZ$326.0 million (approximately ₱10.1 billion), which includes accrued interest. The prepayment resulted in the recognition of the unamortized debt issue costs of US$2.9 million (approximately ₱136.3 million) as expense presented under 'Other income (loss) - net' which represents the difference between the settlement amount and the carrying value of the loan at the time of settlement.

These long-term loans have no collateral but are all guaranteed by the Parent Company.

For the URC NZ Finco and URC AU Finco loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0. The Group has complied with all of its debt covenants as of December 31, 2017 and 2016.

21. Other Noncurrent Liabilities

This account consists of:

	2017	2016
Net pension liability (Note 31)	**₱170,807,825**	₱167,663,057
Miscellaneous (Note 16)	**296,938,666**	140,379,498
	₱467,746,491	₱308,042,555

Miscellaneous includes asset retirement obligation and other noncurrent liabilities.

Asset retirement obligation arises from obligations to restore the leased manufacturing sites, warehouses and offices of CSPL at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

As of December 31, 2017 and 2016, the carrying value of asset retirement obligation amounted to ₱94.7 million and ₱84.3 million, respectively. The amortization of this asset retirement obligation (included under 'Selling and distribution costs' in the consolidated statement of income) amounted to ₱0.2 million and ₱0.5 million for the year ended December 31, 2017 and three months ended December 31, 2016.

22. **Equity**

The details of the Parent Company's common stock as of December 31, 2017 and 2016 follows:

Authorized shares	2,998,000,000
Par value per share	₱1.00
Issued shares:	
Balance at beginning and end of year	2,227,638,933
Outstanding shares	2,204,161,868

The paid-up capital of the Parent Company consists of the following:

Common stock	₱2,227,638,933
Additional paid-in capital	20,856,143,110
Total paid-up capital	₱23,083,782,043

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

Following is a computation of the Group's debt-to-capital ratio:

	December 31, 2017	December 31, 2016	September 30, 2016
(a) Short-term debts (Note 18)	**₱2,009,317,911**	₱1,431,890,655	₱5,873,208,671
Trust receipts payable (Note 11)	**3,155,187,680**	4,554,101,456	4,645,224,001
Long-term debts (Note 20)	**33,225,962,388**	31,366,592,785	32,179,158,737
	₱38,390,467,979	₱37,352,584,896	₱42,697,591,409
(b) Capital	**₱81,686,012,597**	₱78,849,254,753	₱75,272,057,832
(c) Debt-to-capital ratio (a/b)	0.47:1	0.47:1	0.57:1

The Group's policy is to not exceed a debt-to-capital ratio of 2:1. The Group considers its total equity as capital.

Cumulative Redeemable Preferred Shares

The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of December 31, 2017 and 2016.

Retained Earnings

Accumulated equity in net earnings of the subsidiaries

A portion of the Group's retained earnings corresponding to the undistributed net earnings of the subsidiaries and joint ventures amounting to ₱49.9 billion and ₱45.4 billion as of December 31, 2017 and 2016, respectively, is not available for dividend declaration. This becomes available for dividend declaration upon dividend distribution by the investees.

Dividends

Details of the Group's dividend declarations follow:

Parent Company

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2017	**February 15, 2017**	**₱3.15**	**₱6.9 billion**	**March 1, 2017**	**March 27, 2017**
2016	February 9, 2016	₱3.15	₱6.9 billion	February 29, 2016	March 28, 2016
2015	February 6, 2015	₱3.00	₱6.5 billion	February 26, 2015	March 24, 2015

On February 5, 2018, the Parent Company's BOD declared cash dividends amounting to ₱3.15 per share to stockholders of record as of February 26, 2018. Total dividends declared amounted to ₱6.9 billion, which was paid on March 22, 2018.

NURC

There were no dividend declarations and dividend payments to stockholders of NURC for the year ended December 31, 2017. For the year ended December 31, 2016:

Year	Date of declaration	Dividend per share	Total dividends	Date of record	Date of payment
2016	December 22, 2016	₱1.06	₱200.0 million	September 30, 2016	March 30, 2017
2016	December 22, 2016	₱1.40	₱265.0 million	September 30, 2016	September 30, 2017

On March 23, 2018, NURC's BOD approved the declaration of cash dividends amounting to ₱690.00 million (₱3.65 per share) to stockholders of record as of December 31, 2017 payable on or before September 30, 2018.

CCPI

In September 2015, the BOD of CCPI approved the declaration of cash dividends to the stockholders amounting to ₱376.1 million, which was paid on February 26, 2016.

There were no dividend declaration and dividend payments to stockholders of CCPI for the year ended December 31, 2017, three months ended December 31, 2016 and for the fiscal year ended September 30, 2016.

The Group intends to maintain an annual cash dividend payment ratio of 50.0% of the Group's consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. The BOD may, at any time, modify such dividend payment ratio.

Appropriation of retained earnings

On December 15, 2017, the BOD approved the additional appropriation of retained earnings amounting to ₱1.5 billion for capital expenditure commitments to expand capacities in the snack foods and beverage businesses across branded consumer food operations, which are expected to be completed within the next two years.

On September 27, 2016, the BOD approved the reversal of appropriated retained earnings amounting to ₱1.0 billion, which was used to fund the completion of various snack foods and beverage business projects across branded foods group. On the same date, the BOD approved the additional appropriation of retained earnings amounting to ₱2.0 billion for capital expenditure commitments to expand capacities across branded consumer and commodity foods businesses, which are expected to be completed within the next two years.

Treasury Shares

On September 27, 2016, the Parent Company's BOD approved the sale of 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total gross selling proceeds amounting to ₱4.4 billion. The net cash proceeds amounting to ₱4.4 billion is net of transaction costs incurred amounting to ₱27.2 million. The proceeds of the said sale will be used in relation to the acquisition of CSPL. The excess of the total consideration received over the cost amounting to ₱4.1 billion was treated as additional paid-in capital.

The Parent Company has outstanding treasury shares of 23.5 million shares (₱341.1 million) as of December 31, 2017 and 2016, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Equity Reserve

In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte. Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under "Equity reserve" in the consolidated statements of financial position.

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for =P7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group charged equity reserve from the acquisition amounting to about =P5.6 billion presented under “Equity reserve” in the consolidated statements of financial position.

<u>Record of Registration of Securities with SEC</u>
Summarized below is the Parent Company’s track record of registration of securities under the Securities Registration Code:

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and Outstanding Shares
February 17, 1994	Registration of authorized capital stock	–	₱1.00	₱–	1,998,000,000 common shares 2,000,000 preferred shares	–
February 23, 1994	Initial public offering					
	Subscribed and fully paid common shares	929,890,908	1.00	1.00	–	929,890,908
	New common shares	309,963,636	1.00	21.06	–	309,963,636
July 21, 1995	20.00% stock dividend	247,970,907	–	–	–	247,970,907
October 15, 2001	10.00% stock dividend	148,782,542	–	–	–	148,782,542
June 20, 2003	Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)]	49,871,556	–	–	–	49,871,556
December 16, 2005	Increase in authorized capital stock (payment by way of 15.00% stock dividend)	–	–	–	1,000,000,000 common shares	252,971,932

(Forward)

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and Outstanding Shares
February 7, 2006	New share offering for common shares:					
	a. Primary shares	282,400,000	₱1.00	₱17.00	–	282,400,000
	b. Secondary shares	352,382,600				
	c. Over-allotment shares	95,217,400				
November 14, 2007 to October 20, 2008	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(75,104,200)
April 21, 2009	Issuance of shares to JGSHI	–	–	–	–	5,787,452
December 8, 2009 to January 27, 2011	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(91,032,800)
June 14, 2012	Sale of treasury shares	–	–	–	–	120,000,000
September 30, 2016	Sale of treasury shares	–	–	–	–	22,659,935
						2,204,161,868

The table below provides information regarding the number of stockholders of the Parent Company:

	December 31, 2017	December 31, 2016	September 30, 2016
Common shares	**1,017**	1,026	1,025

23. Components of Other Comprehensive Income

The breakdown and movement of other comprehensive income attributable to equity holders of the Parent Company follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments	**₱850,642,705**	₱2,242,967,597	₱1,042,402,519
Net unrealized gain on AFS financial assets			
Balance at beginning of period	**21,310,000**	20,110,000	19,160,000
Change in fair value during the period (Note 17)	**2,950,000**	1,200,000	950,000
Balance at end of period	**24,260,000**	21,310,000	20,110,000
Net unrealized gain (loss) on cash flow hedges:			
Balance at beginning of period	**19,296,332**	99,522	(1,449,501)
Change in fair value during the period (Note 9)	**(11,359,659)**	19,196,810	1,549,023
Balance at end of period	**7,936,673**	19,296,332	99,522
	882,839,378	2,283,573,929	1,062,612,041
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit			
Plans, gross of tax:			
Balance at beginning of period	**(594,056,733)**	(786,152,049)	(705,069,352)
Remeasurement gains (losses) on defined benefit plans during the period (Note 31)	**35,931,367**	192,095,316	(81,082,697)
Balance at end of period	**(558,125,366)**	(594,056,733)	(786,152,049)
Income tax effect	**167,437,610**	178,217,020	235,845,615
	(390,687,756)	(415,839,713)	(550,306,434)
	₱492,151,622	₱1,867,734,216	₱512,305,607

The Group does not recognize income tax on cumulative translation adjustments.

The breakdown and movement of other comprehensive income attributable to non-controlling interests follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit Plans, gross of tax:			
Balance at beginning of period	**(₱4,566,566)**	(₱4,566,566)	(₱6,348,732)
Remeasurement gain on defined benefit plans during the period (Note 31)	**3,612,841**	–	1,782,166
Balance at end of period	**(953,725)**	(4,566,566)	(4,566,566)
Income tax effect	**286,118**	1,369,970	1,369,970
	(₱667,607)	(₱3,196,596)	(₱3,196,596)

24. **Sale of Goods and Services/ Cost of Sales**

Sale of goods and services include revenue from tolling services amounting to ₱179.8 million, ₱35.6 million and ₱184.8 million for the year ended December 31, 2017, the three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

Cost of Sales account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Raw materials used	**₱58,991,536,243**	₱14,179,507,687	₱52,405,077,910
Direct labor	**5,788,350,160**	1,298,162,777	4,518,257,097
Overhead costs	**20,862,774,466**	5,495,527,685	19,358,437,252
Total manufacturing costs	**85,642,660,869**	20,973,198,149	76,281,772,259
Goods in-process	**3,638,910**	25,170,993	(55,146,074)
Cost of goods manufactured	**85,646,299,779**	20,998,369,142	76,226,626,185
Finished goods	**47,055,455**	145,011,251	(1,135,667,258)
	₱85,693,355,234	₱21,143,380,393	₱75,090,958,927

The Group's raw materials used include raw materials and container and packaging materials inventory.

Overhead costs are broken down as follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Utilities	**₱7,576,345,534**	₱2,143,711,872	₱7,283,943,454
Depreciation and amortization (Note 27)	**5,377,003,923**	1,333,371,293	4,948,452,404
Personnel expenses (Note 28)	**3,112,919,756**	693,833,436	2,153,478,163
Repairs and maintenance	**2,548,246,214**	767,279,515	2,605,000,433
Security and other contracted services	**649,866,606**	152,542,298	571,026,260
Rental expense (Note 36)	**513,373,944**	123,876,139	957,912,584
Insurance	**198,832,730**	53,887,701	139,740,141
Handling and delivery charges	**185,825,028**	43,430,837	140,245,627
Research and development	**82,323,639**	23,745,975	64,506,823
Others	**618,037,092**	159,848,619	494,131,363
	₱20,862,774,466	₱5,495,527,685	₱19,358,437,252

25. **Selling and Distribution Costs**

This account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Freight and other selling expenses	**₱8,836,677,237**	₱2,030,121,733	₱6,788,061,793
Advertising and promotions	**7,602,693,478**	1,793,559,907	6,888,424,028
Personnel expenses (Note 28)	**2,333,202,923**	593,189,775	1,807,948,482
Depreciation and amortization (Note 27)	**239,982,836**	56,195,739	173,978,540
Repairs and maintenance	**96,269,637**	28,527,609	69,357,902
Others	**142,050,101**	40,188,364	100,275,347
	₱19,250,876,212	₱4,541,783,127	₱15,828,046,092

26. **General and Administrative Expenses**

This account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Personnel expenses (Note 28)	**₱2,946,018,579**	₱626,564,581	₱2,238,678,371
Depreciation and amortization (Note 27)	**487,076,600**	117,351,532	347,069,384
Security and contractual services	**263,010,037**	30,137,131	103,238,552
Taxes, licenses and fees	**245,171,407**	30,797,104	163,149,877
Rental expense (Note 36)	**214,483,196**	68,745,299	201,639,875
Professional and legal fees	**201,415,585**	93,634,485	132,402,125
Travel and transportation	**160,850,872**	35,127,969	136,064,647
Repairs and maintenance	**142,522,762**	51,275,075	163,878,373
Communication	**140,911,147**	25,701,864	100,938,306
Utilities	**57,251,993**	17,512,494	73,227,679
Stationery and office supplies	**29,591,597**	8,955,946	27,917,591
Donations and contributions	**7,233,729**	2,009,503	1,068,305
Others	**215,888,303**	61,290,863	212,901,538
	₱5,111,425,807	₱1,169,103,846	₱3,902,174,623

Others expenses include insurance, memberships and representation and entertainment related to general and administrative functions.

27. **Depreciation and Amortization**

The breakdown of consolidated depreciation and amortization follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Cost of sales (Notes 13, 15 and 24)	**₱5,377,003,923**	₱1,333,371,293	₱4,948,452,404
Selling and distribution costs (Notes 13, 15 and 25)	**239,982,836**	56,195,739	173,978,540
General and administrative expenses (Notes 13, 15, 17, and 26)	**487,076,600**	117,351,532	347,069,384
	₱6,104,063,359	₱1,506,918,564	₱5,469,500,328

28. **Personnel Expenses**

This account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Salaries and wages	**₱5,902,127,792**	₱1,391,539,768	₱4,421,277,217
Other employee benefits	**2,322,941,873**	476,834,683	1,637,159,230
Pension expense (Note 31)	**167,071,593**	45,213,341	141,668,569
	₱8,392,141,258	₱1,913,587,792	₱6,200,105,016

The breakdown of personnel expenses follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Cost of sales (Note 24)	**₱3,112,919,756**	₱693,833,436	₱2,153,478,163
Selling and distribution costs (Note 25)	**2,333,202,923**	593,189,775	1,807,948,482
General and administrative expenses (Note 26)	**2,946,018,579**	626,564,581	2,238,678,371
	₱8,392,141,258	₱1,913,587,792	₱6,200,105,016

29. **Finance Revenue**

This account consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Bank interest income (Note 7)	**₱212,661,705**	₱49,947,558	₱200,123,280
Dividend income	**12,921,148**	–	12,921,147
	₱225,582,853	₱49,947,558	₱213,044,427

30. **Finance Costs**

This account consists of finance costs arising from:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Long-term debts (Note 20)	**₱1,239,928,198**	₱274,309,463	₱753,459,715
Short-term debts (Note 18)	**66,560,687**	13,967,106	44,086,561
Net interest on net pension liability (Note 31)	**9,068,871**	3,285,987	10,512,148
Others	**111,772,070**	47,028,764	89,162,540
	₱1,427,329,826	₱338,591,320	₱897,220,964

In 2017, the Group availed and paid short-term loans with interest ranging from 2.60% to 3.00% amounting to ₱4.3 billion and ₱3.9 billion, respectively.

Others include interest incurred on liabilities under trust receipts and other financing charges.

31. **Pension Costs**

The Group has a funded, noncontributory defined benefit retirement plan covering all its employees. The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan, with Robinsons Bank Corporation (RBC) as Trustee. The plan provides for retirement, separation, disability and death benefits to its members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Ultimate Parent Company are represented in the Executive Retirement Committee. RBC manages the funds based on the mandate as defined in the trust agreement.

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan. The Parent Company and all of its subsidiaries meet the minimum retirement benefit under RA 7641.

Changes in net defined benefit liability of funded funds of the Group are as follows:

2017

		Net benefit cost in consolidated statements of income				**Remeasurements in other comprehensive income**						
	January 1, 2017	**Current service cost** (Note 28)	**Finance cost** (Note 30)	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest cost)**	**Actuarial changes arising from changes in experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions**	**December 31, 2017**
Present value of defined benefit obligation	**₱2,268,007,023**	**₱167,071,593**	**₱114,314,355**	**₱281,385,948**	**(₱269,870,853)**	**₱–**	**₱30,095,758**	**₱29,621,518**	**(₱89,206,635)**	**(₱29,489,359)**	**₱–**	**₱2,250,032,759**
Fair value of plan assets	**(2,100,343,966)**	**–**	**(105,245,484)**	**(105,245,484)**	**269,870,853**	**(10,054,849)**	**–**	**–**	**–**	**(10,054,849)**	**(133,451,488)**	**(2,079,224,934)**
	₱167,663,057	**₱167,071,593**	**₱9,068,871**	**₱176,140,464**	**₱–**	**(₱10,054,849)**	**₱30,095,758**	**₱29,621,518**	**(₱89,206,635)**	**(₱39,544,208)**	**(₱133,451,488)**	**₱170,807,825**

2016

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	October 1, 2016	Current service cost (Note 28)	Finance cost (Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest cost)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions	December 31, 2016
Present value of defined benefit obligation	₱2,424,224,864	₱45,213,341	₱25,454,923	₱70,668,264	(₱29,248,407)	₱–	(₱47,227,037)	₱–	(₱150,410,661)	(₱197,637,698)	₱–	₱2,268,007,023
Fair value of plan assets	(2,092,149,028)	–	(22,168,936)	(22,168,936)	29,248,407	5,542,382	–	–	–	5,542,382	(20,816,791)	(2,100,343,966)
	₱332,075,836	₱45,213,341	₱3,285,987	₱48,499,328	₱–	₱5,542,382	(₱47,227,037)	₱–	(₱150,410,661)	(₱192,095,316)	(₱20,816,791)	₱167,663,057

The fair value of net plan assets of the Group by each classes as at the end of the reporting period are as follows:

	2017	2016
Assets		
Cash and cash equivalents (Note 34)	**₱661,849,930**	₱1,795,818,887
Due from related party (Note 34)	–	31,588,500
AFS investments	**379,861,432**	68,578,131
HTM investments	**887,146,600**	108,687,441
Interest receivable	**7,135,297**	4,212,817
Prepaid taxes	**197,391**	179,905
Land	**143,201,000**	91,448,525
	2,079,391,650	2,100,514,206
Liabilities		
Accrued trust and management fees	**166,716**	170,240
	₱2,079,224,934	₱2,100,343,966

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for defined benefit plans are as follows:

	Parent Company		NURC		CCPI	
	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	**December 31, 2017** (One Year)	December 31, 2016 (Three Months)	**December 31, 2017** (One Year)	December 31, 2016 (Three Months)
Discount rate	**5.71%**	5.26%	**5.76%**	5.45%	**5.23%**	5.60%
Salary increase	**5.70%**	5.70%	**5.70%**	5.70%	**5.70%**	5.70%

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is to be settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

		Parent Company		NURC		CCPI	
	Increase (Decrease)	**December 31, 2017** (One Year)	December 31, 2016 (Three Months)	**December 31, 2017** (One Year)	December 31, 2016 (Three Months)	**December 31, 2017** (One Year)	December 31, 2016 (Three Months)
Discount rate	1.00%	**(₱167,993,526)**	(₱166,915,583)	**(₱2,635,011)**	(₱3,202,071)	**(₱2,836,472)**	(₱3,568,268)
	(1.00%)	**194,071,843**	192,109,716	**3,078,561**	3,824,602	**3,446,967**	4,448,743
Salary increase	1.00%	**206,528,263**	203,482,763	**3,246,644**	3,953,076	**3,564,423**	4,575,692
	(1.00%)	**(181,862,773)**	(179,962,591)	**(2,824,060)**	(3,362,539)	**(2,982,661)**	(3,726,551)

The Group expects to contribute ₱181.51 million in the pension fund in calendar year 2018.
Shown below is the maturity analysis of the Group's expected (undiscounted) benefit payments:

	2017	2016
Less than one year	**₱200,075,413**	₱199,410,883
More than one year to five years	**815,130,976**	788,163,676
More than five years to 10 years	**1,452,708,067**	1,441,450,284
More than 10 years to 15 years	**1,523,945,706**	1,393,733,067
More than 15 years to 20 years	**1,662,775,069**	1,524,435,908
More than 20 years	**4,718,097,211**	3,350,302,574

Shown below is the average duration of the defined benefit obligation at the end of the reporting period:

	2017	2016
	(Years)	
Parent Company	**18**	16
NURC	**17**	21
CCPI	**23**	27

32. Income Taxes

Provision for income tax consists of:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Current	**₱2,584,562,832**	₱533,905,331	₱3,334,622,290
Deferred	**212,923,469**	233,589,768	106,910,715
	₱2,797,486,301	₱767,495,099	₱3,441,533,005

Components of the Group's net deferred tax assets and liabilities follow:

	Net deferred tax assets		Net deferred tax liabilities	
	2017	2016	**2017**	2016
Deferred tax assets on:				
Net unrealized foreign exchange loss	**₱21,534,393**	₱156,099,182	**₱–**	₱6,107,867
Pension liabilities	**67,546,081**	76,325,874	**128,290,055**	123,327,647
Nondeductible accruals	**–**	–	**219,029,961**	102,945,279
Leases	**–**	–	**13,857,605**	3,536,545
Impairment losses on trade receivables and property and equipment	**100,852,134**	107,153,187	**–**	304,510
Past service cost	**75,505,520**	88,586,598	**–**	–
Inventory write-downs	**27,377,429**	29,630,274	**4,634,232**	4,159,005
Foreign subsidiaries	**33,866,361**	26,971,658	**15,900,394**	1,152,524
Unearned revenue	**–**	–	**22,726,694**	22,726,694
NOLCO	**41,745,235**	1,862,902	–	–
Others	**4,242,256**	3,218,640	**12,083,956**	7,266,069
	372,669,409	489,848,315	**416,522,897**	271,526,140
Deferred tax liabilities on:				
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**151,215,472**	115,563,150	**–**	–
Borrowing costs	**4,537,603**	7,420,356	**–**	–
Accelerated depreciation	**–**	–	**543,986,501**	434,349,328
Intangibles	**–**	–	**2,987,529,285**	3,222,461,373
Undistributed income of foreign subsidiaries	**–**	–	**651,315,255**	606,682,516
Foreign subsidiaries	**–**	–	**495,207,481**	44,374,334
	155,753,075	122,983,506	**4,678,038,522**	4,307,867,551
Net deferred tax assets (liabilities)	**₱216,916,334**	₱366,864,809	**(₱4,261,515,625)**	(₱4,036,341,411)

As of December 31, 2017 and 2016, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱434.6 million and ₱168.0 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized.

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from			
Income exempt from tax	**(1.42)**	(1.96)	(1.02)
Interest income subjected to final tax	**(0.23)**	(0.30)	(0.21)
Nondeductible interest expense	**0.09**	0.12	0.09
Equity in net income of a joint venture	**(0.60)**	(0.46)	(0.37)
Net income of subsidiaries with different tax rate	**(8.95)**	(5.57)	(11.39)
Change in value of financial assets at FVPL	**(0.15)**	0.04	0.02
Others	**1.31**	1.99	1.19
Effective income tax rate	**20.05%**	23.86%	18.31%

Under Philippine tax laws, the Group is subject to income taxes, as well as other taxes (presented as 'Taxes and licenses' in the consolidated statements of income). Other taxes paid consist principally of documentary stamp taxes, real estate taxes and municipal taxes.

Income taxes include the minimum corporate income tax (MCIT), regular corporate income tax (RCIT), final tax paid at the rate of 20.0% for peso deposits and 7.5% for foreign currency deposits on gross interest income from bank deposits and short-term investments.

Current tax regulations provide that the RCIT rate shall be 30.0% and interest allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax beginning January 1, 2009.

Current tax regulations also provide for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

Current tax regulations further provides that an OSD equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in the consolidated statements of income) amounting to ₱61.9 million, ₱15.0 million and ₱41.6 million for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016, respectively.

MCIT
An MCIT of 2.0% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

33. Earnings Per Share

The following reflects the income and share data used in the basic/dilutive EPS computations:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Net income attributable to equity holders of the parent	**₱10,888,080,693**	₱2,402,116,084	₱15,140,452,205
Weighted average number of common shares	**2,204,161,868**	2,204,161,868	2,181,564,015
Basic/dilutive EPS	**₱4.94**	₱1.09	₱6.94

The weighted average number of common shares takes into account the treasury shares at year end. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

There were no potential dilutive shares for the year ended December 31, 2017, three-month period ended December 31, 2016 and year ended September 30, 2016.

34. Related Party Transactions

The Group, in the regular conduct of its business, has entered into transactions with JGSHI, its ultimate parent, and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, regular banking transactions, leases and, management and administrative service agreements. Transactions with related parties are generally settled in cash.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. Details of related party transactions are as follows:

		December 31, 2017					
Related Party	**Category/Transaction**	**Amount/ Volume**	**Cash and Cash Equivalents** (Note 7)	**Trade Receivable (Payable) - net** (Notes 10 and 19)	**Non- trade Receivable (Payable) - net** (Notes 10 and 19)	**Terms**	**Conditions**
Ultimate Parent Company	Advances	**₱–**	**₱–**	**₱–**	**₱439,409,131**	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Rental expense	**177,081,208**	–	–	–		
Entity under common control							
Due from related parties	Advances	–	–	–	**956,830,499**	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Sales	**995,485,756**	–	**77,348,339**	–	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Rental income	**37,966,278**	–	–	–		
	Engineering services	**17,420,461**	–	–	–		
	Contracted services	**103,675,870**	–	–	–		
Due to related parties		**–**	–	–	**(106,452,798)**	**On demand**	**Unsecured**
Cash and cash equivalents	Cash in bank	**(205,215,801)**	**190,577,503**	–	–	**Interest-bearing at prevailing market rate; due and demandable**	**Unsecured; no impairment**
	Money market placements	**1,512,724,554**	**4,048,044,786**	–	–	**Interest-bearing at prevailing market rate; due from 2 to 40 days; with interest ranging from 1.2% to 3.4%**	**Unsecured; no impairment**
	Interest income	**30,148,933**	**–**	**3,401,689**	**–**	**Due from 2 to 40 days**	**Unsecured; no impairment**
Subsidiaries							
Due from related parties	Sales	**630,964,853**	–	**30,023,194**	–	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Rental income	**17,126,605**	–	–	–		
Due to related parties	Purchases	**5,102,874,725**	–	**(339,334,405)**	–	**On demand**	**Unsecured**
Joint Venture	Purchases	**1,384,805,724**	–	**(69,986,122)**	–	**1 to 30 days; non-interest bearing**	**Unsecured**
	Sales	**158,109,871**	–	**187,398,912**	–		

		December 31, 2016					
Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non- trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Advances	₱–	₱–	₱–	₱833,498,102	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	43,019,661	–	–	–		
Entity under common control							
Due from related parties	Advances	–	–	–	720,463,444	On demand; non-interest bearing	Unsecured; no impairment
	Sales	172,923,852	–	154,694,305	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	6,349,804	–	–	–		
	Engineering services	3,354,945	–	–	–		
Due to related parties		–	–	–	(75,161,893)	On demand	Unsecured
Cash and cash equivalents	Cash in bank	206,671,389	395,793,304	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	1,952,052,684	2,535,320,232	–	–	Interest-bearing at prevailing market rate; due from 3 to 87 days; with interest ranging from 1.5% to 2.0%	Unsecured; no impairment
	Interest receivable	2,524,928	–	3,254,609	–	Due from 3 to 87 days	Unsecured; no impairment
Subsidiaries							
Due from related parties	Sales	172,923,852	–	69,830,184	–	On demand; non-interest bearing	Unsecured; no impairment
	Dividend income	237,150,000	–	237,150,000	–		
	Rental income	3,973,435	–	–			
Due to related parties	Purchases	1,231,915,708	–	–	(310,594,994)	On demand	Unsecured
Joint Venture	Purchases	1,474,555,268	–	–	(249,252,030)	1 to 30 days; non-interest bearing	Unsecured
	Sales	176,928,503	–	347,307,329	–		

		September 30, 2016					
Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non- trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Advances	₱–	₱–	₱–	₱668,840,732	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	166,503,507	–	–	–		
Entity under common control							
Due from related parties	Advances	–	–	–	635,051,546	On demand; non-interest bearing	Unsecured; no impairment
	Sales	750,450,211	–	98,977,506	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	36,266,793	–	–	–		
	Engineering services	13,954,644	–	–	–		
Due to related parties		–	–	–	(62,168,584)		
Cash and cash equivalents	Cash in bank	68,191,352	189,240,903	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	(2,127,907,997)	583,267,548	–	–	2 to 85 days; Interest bearing with interest ranging from 1.5% to 1.7%	Unsecured; no impairment
	Interest receivable	729,681	–	729,681	–	Due from 3 to 87 days	Unsecured; no impairment
Subsidiaries							
Due from related parties	Sales	779,003,898	–	52,172,016	–	On demand	Unsecured
	Rental income	15,804,927	–	–			
Due to related parties	Purchases	5,108,848,460	–	–	(243,352,735)	On demand	Unsecured
Joint Venture	Purchases	1,246,984,793	–	–	(51,348,490)	1 to 30 days; non-interest bearing	Unsecured
	Sales	578,203,973	–	264,476,332	–		

The Group's significant transactions with related parties follow:

(a) The Group maintains savings and current accounts and time deposits with an entity under common control which is a local commercial bank. Cash and cash equivalents earns interest at the prevailing bank deposit rates.

(b) As of December 31, 2017 and 2016, the Group has advances from stockholders amounting to ₱243.6 million and ₱231.1 million, respectively (see Note 19). These advances are non-interest bearing and payable on demand.

Transactions with the retirement plan
The Parent Company entered into an agreement to lease the land of the retirement plan for a period of one (1) year, renewable annually. Rentals incurred amounted to ₱25.3 million and ₱6.3 million for the year ended December 31, 2017 and for the three-month period ended December 31, 2016, respectively. Terms are unsecured, noninterest-bearing and payable on demand.

Included in the Parent Company's retirement plan assets are special savings deposits with RBC. In December 31, 2017 and 2016, special savings deposit with RBC amounting to ₱657.5 million and ₱1.0 billion bears annual interest rates ranging from 1.00% to 3.50% and 1.25% to 2.25%, respectively.

Compensation of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Short-term employee benefits	**₱256,914,335**	₱55,934,152	₱230,582,981
Post-employment benefits	**70,445,960**	17,611,490	67,025,015
	₱327,360,295	₱73,545,642	₱297,607,996

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

35. Registration with the BOI

Certain operations of the Parent Company and consolidated subsidiaries are registered with the BOI as preferred pioneer and nonpioneer activities. As registered enterprises, these entities are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

Sugar Millsite - Tolong
On January 14, 2015, Sugar Millsite Tolong was registered with the BOI as an expanding producer of raw sugar.

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from February 2015 (as an expanding producer raw sugar) or actual start of commercial operations, whichever is earlier but in case earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order (EO) No. 70 and its implementing rules and regulations for a period of five (5) years reckoned from the date its registration or until the expiration of EO No. 70 whichever is earlier; (c) additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) year from date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to posting of re-export bond; (e) tax credit equivalent to national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (f) exemption from wharfage dues, and any export tax, duty, impost and fee for period of ten (10) years from the date of registration; (g) employment of foreign nationals; (h) simplications of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

Cogeneration
On September 26, 2014, Cogeneration was registered with the BOI as a Renewable Energy (RE) developer of Bagasse-fired power plant.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years at which the RE Plant generated the first kilowatt-hour energy after commissioning or testing, or two months from date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code (NIRC) for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Distillery
On August 28, 2013, Distillery was registered with the BOI as a manufacturer of bio-ethanol (fuel grade ethanol).

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years from March 2014 or date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10.0% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100.0% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Robina Farms (RF) - Poultry

On January 30, 2008, RF - Poultry was registered with the BOI as an expanding producer of parent stock day-old chicks. On June 4 of the same year, it was registered as a new producer of table eggs and its by-products. Both activities are on a nonpioneer status.

Under the terms of the registration and subject to certain requirements, RF - Poultry is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2008 (as an expanding producer of parent stock day-old chicks) and for a period of four (4) years from October 2009 (as a new producer of table eggs and its by-products); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70.0% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70.0% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

Robina Farms (RF) - Hogs

On January 30, 2008, RF - Hogs was registered with the BOI as an expanding producer of finisher hogs in RF 11, Antipolo City and RF 12, Bulacan on a nonpioneer status. Under the terms of the registration and subject to certain requirements, RF - Hogs is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2009 but only from the sales generated from the registered projects; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

36. **Commitments and Contingencies**

Operating Lease Commitments - Group as a Lessor

The Group has entered into (1) one-year renewable, noncancellable leases with various related parties covering certain land and building where office spaces are located. Future minimum rentals receivable under noncancellable operating leases amounted to ₱63.7 million, ₱76.7 million and ₱61.1 million for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, respectively.

Operating Lease Commitments - Group as a Lessee

The Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of income) amounted to ₱425.5 million, ₱95.8 million and ₱395.6 million for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Within one year	**₱302,978,419**	₱170,551,153	₱183,546,225
After one year but not more than five years	**425,325,347**	713,553,406	734,184,901
Five (5) years or more	**312,745,257**	416,925,061	520,915,202
	₱1,041,049,023	₱1,301,029,620	₱1,438,646,328

Finance Lease Commitments - Group as a Lessee

Some of the Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under 'General and administrative expenses' in the consolidated statements of income) amounted to ₱36.4 million, ₱8.5 million and ₱34.1 million for the year ended December 31, 2017, for the three-month period ended December 31, 2016 and for the year ended September 30, 2016, respectively.

Others

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

37. **Supplemental Disclosure to Cash Flow Statements**

The Group's noncash activities are as follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Cumulative translation adjustment (Note 23)	**(₱1,392,324,892)**	₱1,200,565,078	(₱2,759,505,648)
Accrued earn-out of PSFL (Note 16)	**(51,516,704)**	−	−
Disposal of property, plant and equipment (Note 10)	−	−	687,174,800

The table below provides for the changes in liabilities arising from financing activities:

	Short-term debt	Long-term debt	Total Liabilities from Financing Activities
January 1, 2017	₱1,431,890,655	₱31,366,592,785	₱32,798,483,440
Cash flows from availment	4,284,475,807	−	4,284,475,807
Cash flows from settlement	(3,850,000,000)	−	(3,850,000,000)
Foreign exchange movement	−	116,661,970	116,661,970
Others	142,951,449	1,742,707,633	1,885,659,082
December 31, 2017	₱2,009,317,911	₱33,225,962,388	₱35,235,280,299

38. **Approval for the Release of the Financial Statements**

The accompanying consolidated financial statements of the Group were authorized for issue by the AC and the BOD on April 10, 2018.


Universal
Robina


Chippy
BARBECUE
Cheezels
Original
CHEESE
BLEND 45
SOLUBLE COFFEE